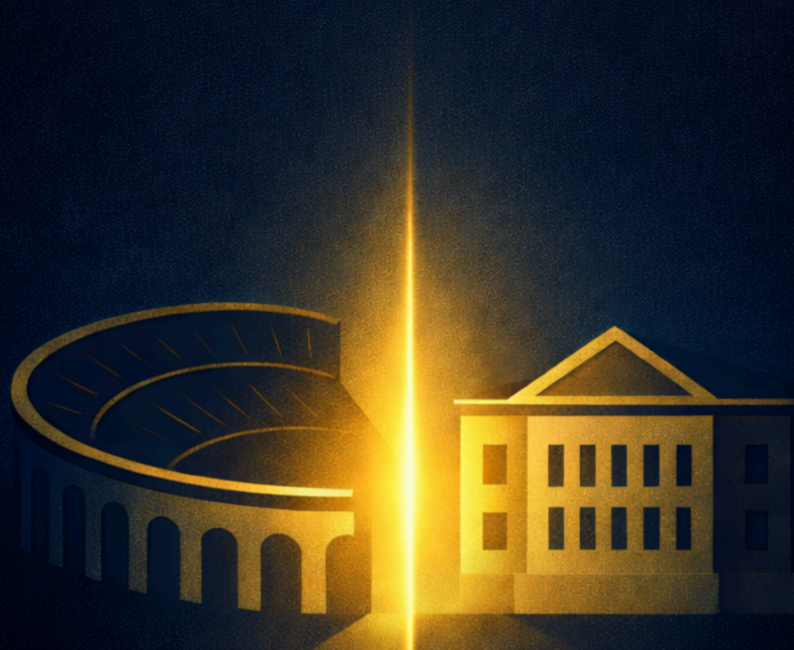
THE SPORTS SPIN-OFF

A Long-Term Hedging Strategy for Higher Ed Institutions Facing Demographic Decline



SCOTT JELLEN

April 2025

The Sports Spin-Off

A Long-Term Hedging Strategy for Higher Ed Institutions Facing Demographic Decline

Scott Jellen
Independent Researcher
scottjellen.com

Table of Contents

Abstract

U.S. higher education is confronting a crisis of declining enrollment, rising costs, and financial volatility. Simultaneously, collegiate athletics—though culturally significant—often drain resources and distract from the core academic mission. This whitepaper proposes a strategic solution: universities spin off their athletics departments into independent entities, licensing their branding and facilities back to these new companies.

By doing so, institutions generate predictable licensing revenue streams that compound into substantial financial reserves. This financial structure allows universities to reinvest strategically in education and infrastructure, insulating them from market shocks. When the sports-media bubble inevitably bursts, institutions will be ideally positioned to reclaim distressed sports entities at a fraction of their peak value, aligning them more closely with institutional missions.

This forward-thinking model provides not just financial resilience—but an actionable pathway to institutional reinvention.

1. Context & Problem Statement

1.1 Declining Enrollment

- U.S. college enrollment has been in decline for over a decade, with projections forecasting continued drops through 2035 due to demographic shifts and alternative career pathways.

- Fewer students translate to decreased tuition revenue, empty dormitories, and reduced auxiliary income.

1.2 Rising Costs & Operational Inefficiencies

- Many institutions face growing costs tied to infrastructure, faculty, administration, and compliance—while revenue growth slows or stalls.

- Athletic departments, despite their visibility, frequently operate at significant losses. In 2022 alone, NCAA Division I public institutions reported median athletic deficits exceeding **$14 million**, forcing reliance on student fees and institutional support.

1.3 Brand Dilution & Mission Drift

- Athletics, especially in Division I programs, can overshadow the academic mission.

- The university brand becomes synonymous with sports success rather than educational excellence.

2. Strategic Proposal: Spinning Off College Sports

By removing day-to-day oversight of athletics, university leadership can focus on academics and fundraising for core initiatives—rather than navigating sports controversies. Boosters, meanwhile, are encouraged to direct their financial support to the new entity, functioning more like stakeholders in a professional franchise.

2.1 Create a Separate Entity

- Universities license their name, branding, facilities, and mascot to a newly formed, independent sports company.

- This entity handles all operational responsibilities—recruitment, salaries, NIL deals, broadcasting rights, etc.

2.2 License & Royalty Model

- Schools receive annual licensing revenue via a tiered agreement:
    - Base licensing fee adjusted for inflation.
    - Enrollment-adjusted escalator to hedge against student population decline.
    - Bonus incentives tied to media revenue or exposure.

In 2022, the NCAA generated over **$870 million** in television and licensing revenue. The Big Ten alone signed a **$1.2 billion/year** media deal. These figures underscore the potential power of university brand licensing—even before considering individual sponsorships or streaming revenue.

Each school and conference offers unique value: some provide massive national fan bases, others offer regional loyalty or strong digital engagement. This model accommodates a wide spectrum of institutional scale.

2.3 Investment Strategy

- A majority of licensing income is funneled into a strategic investment fund, modeled like an endowment.
- Allocations include:
  - Student scholarships
  - Academic program development
  - Mission-aligned infrastructure

According to the 2023 NACUBO-TIAA Study, endowments under $100M saw **average 10-year annualized returns of 6.5%**. This supports the viability of using sports revenue to build long-term institutional strength.

3. Market Dynamics & Competitive Realignment

3.1 Early Adoption Advantage

- First-movers may gain leverage in media deals, partnerships, and athletic governance reform.

3.2 Formation of New Leagues

- Independent sports entities could form their own alliances, resembling professional leagues and optimizing monetization models.

3.3 Fan Fatigue & Saturation

- Oversaturation will likely dilute fan engagement over time.
- Audience fragmentation leads to falling attendance, loyalty, and monetization capacity.

4. Collapse Scenario & Strategic Buyback

Why Distress Emerges Over Time

Even billion-dollar sports entities are vulnerable over decades. Compliance mandates (like Title IX), rising costs for non-revenue sports, and media saturation all erode profitability. Unlike universities, these companies cannot absorb losses indefinitely.

Over time, these entities may become bloated, overleveraged, and culturally disconnected—setting the stage for collapse despite earlier profitability.

A real-world parallel is **The CW Network**, acquired by Nexstar in 2022. While terms weren't disclosed, Nexstar assumed over **$100 million in annual losses**, effectively acquiring a once-valued brand by absorbing its liabilities. (Reuters, 2022)

4.1 Market Correction

Economic downturns, streaming fatigue, or generational disinterest in college sports could trigger a sharp valuation decline.

4.2 Institutional Opportunity

- Institutions with disciplined investment strategies could reacquire sports assets at steep discounts.

- This enables mission re-alignment, brand reconnection, and control without the historical liabilities.

5. Case Study: Rutgers University

2022 Snapshot:

- Revenue: ~$124M
- Expenses: ~$133M
- Deficit: ~$9M
  (Source: Knight-Newhouse Data)

Spin-Off Projection:

- Licensing Income: $18M
- Annual Investment: $14M
- 40-Year Fund Value (6%): ~$2.48B
- Strategic Buyback Cost (Year 40): $40M (~1.6% of fund)

Result: Rutgers could reclaim operations while retaining a billion-dollar reserve—without compromising academics.

6. Conclusion: Hedge the Mission

Spinning off athletics allows universities to separate volatility from mission. Licensing creates stable, compounding revenue. Investment fuels long-term growth. And when the inevitable collapse hits, the institution has the leverage—not the liability.

This model isn't just a hedge. It's a blueprint for resilience.

Call to Action:

Universities should:

- Form a cross-functional task force (legal, athletic, financial, academic)
- Run simulations using real athletic data
- Engage donors and boosters early
- Define pathways for Title IX compliance in spin-off structures

7. Risks & Considerations

7.1 Legal and Regulatory Uncertainty

- NCAA governance, Title IX obligations, and state laws could complicate the process.
- Changes in NIL policy, media rights, and athlete employment status may introduce compliance challenges.

7.2 Brand Identity Risk

- Separating athletics from the institution may confuse alumni or dilute the brand.
- Poorly managed licensing could damage long-term trust.

7.3 Financial Volatility

- New entities may face unexpected early losses or cash flow gaps.
- Schools must be conservative in fund planning to ride out downturns.

7.4 Competitive Inequity

- Smaller schools may lack the brand power to replicate this model fully.
- Disparities in outcome may further widen the gap across institutions.

8. Appendix: Long-Term Projection & Scenarios

A. 40-Year Financial Growth (6% Return)

Year	Annual Investment	Cumulative Investment	Projected Fund
10	$80M	$80M	$111.6M
20	$160M	$240M	$441.4M
30	$240M	$720M	$1.01B
40	$320M	$1.28B	$2.48B

B. Scenario Outcomes

Scenario	Revenue Outcome	Buyback Potential
Sustained Boom	Licensing grows steadily → fund > $3B	Buyback easy, surplus for growth
Plateau	Revenue flatlines → fund ~$1.5B	Buyback still viable, cautious outlook
Collapse	Revenue dips → fund ~$1B	Buyback possible, mission preserved

C. Strategic Flowchart

University
↓
Spin-Off (Athletics)
↓
Licensing Revenue
↓
University Investment Fund
↓
Strategic Buyback

D. Stakeholder Benefits Summary

Stakeholder	Benefit
University President	Reduced exposure to athletic volatility; focus on core mission
Athletic Director	Operational clarity; better forecasting
Boosters	More direct, performance-aligned investment opportunities
Students	Reinvestment in academics and scholarships
Media Partners	Licensing partnerships with clearer asset control

9. References

1. *National Center for Education Statistics. Projections of Education Statistics to 2030 (NCES 2024-034). U.S. Department of Education, 2024.* *https://nces.ed.gov/pubs2024/2024034.pdf*

2. Knight Commission on Intercollegiate Athletics. College Sports 101: Finance. https://www.knightcommission.org/finances-college-sports/

3. NACUBO and TIAA. NACUBO-TIAA Study of Endowments (NTSE), Fiscal Years 2018–2022. https://www.nacubo.org/Research/Study-of-Endowments

4. AI-CIO. *U.S. College Endowments Returned 11.2% Last Year.* https://www.ai-cio.com/news/us-college-university-endowments-returned-11-2-last-year

5. NCAA Division I Revenues and Expenses Report (2013–2022)

   https://ncaaorg.s3.amazonaws.com/research/Finances/2023RES_DI-RevExpReport_FINAL.pdf

6. Statista. *NCAA Revenue from Television and Licensing Rights (2012–2027).*

   https://www.statista.com/statistics/219608/ncaa-revenue-from-television-rights-agreement

7. Knight-Newhouse College Athletics Database https://www.knightnewhousedata.org/about-the-data

8. Axios. *NCAA Signs New $920M TV Deal with ESPN* https://www.axios.com/2024/01/04/ncaa-920m-tv-deal-espn

9. Reuters. *Nexstar to Acquire 75% Stake in The CW Network* https://www.reuters.com/markets/deals/nexstar-acquire-75-cw-network-2022-08-15/

Editorial Note (Archival Release)

This note is provided to clarify the intended scope and interpretation of this document for institutional, policy, and research audiences.

The Sports Spin-Off presents a structural framework for consideration and analysis. It does not constitute a formal policy recommendation, financial advice, or implementation directive. The financial illustrations and licensing scenarios discussed are hypothetical constructs intended to clarify incentive dynamics rather than predict specific outcomes.

Any real-world application of the framework described herein would require institution-specific legal, financial, and governance review.

Publication Metadata — Version 1.0

The Sports Spin-Off (Original Edition)

DOI:
10.5281/zenodo.18147221

Title:
The Sports Spin-Off: A Long-Term Hedging Strategy for Higher Ed Institutions Facing Demographic Decline

Author:
Scott Jellen

Affiliation:
Independent Researcher

Publication Date:
April 2025

Version:
1.0 (Original Edition)

Abstract (Metadata Copy)

The Sports Spin-Off examines the growing structural mismatch between U.S. higher education institutions and the financial, operational, and regulatory demands of Division I collegiate athletics. As enrollment declines, costs rise, and demographic pressures intensify, many universities face increasing volatility driven by athletics programs that operate at persistent deficits while exerting outsized influence on institutional identity and governance.

The paper proposes a structural hedge: universities spin off athletics operations into independent entities while licensing institutional branding, facilities, and identity back to those entities under long-term agreements. This model converts volatile athletic operations into predictable licensing revenue streams that can be reinvested into academic missions and long-term institutional resilience. By separating athletic risk from academic governance, institutions regain strategic focus while preserving brand value and optionality.

The framework further evaluates long-horizon dynamics, arguing that media saturation, compliance burdens, and shifting fan behavior may eventually compress athletic valuations. Institutions that adopt disciplined investment strategies using licensing proceeds may be positioned to reacquire spun-off assets at distressed valuations, restoring alignment between athletics and institutional mission without absorbing decades of accumulated risk. The Sports Spin-Off is presented as a conservative, testable governance and financial architecture designed to enhance institutional durability rather than maximize short-term athletic returns.

Keywords

higher education finance; college athletics governance; institutional risk; demographic decline; licensing models; sports economics; structural hedging; platform design

Versioning Note

This document was originally drafted and circulated publicly in April 2025 through the author's portfolio. That release constituted the first public availability of *The Sports Spin-Off* framework.

A limited editorial refinement pass was conducted in late 2025 as part of a broader corpus-wide cleanup to improve consistency across the author's work. This pass did not introduce any conceptual, structural, or analytical changes and is not treated as a separate version.

Version 1.0, published with formal publication metadata, preserves the full conceptual structure, analytical logic, and proposed spin-off and licensing mechanisms of the original draft while introducing minor editorial and layout refinements. These updates include standardized formatting, improved section consistency, clarified language, and the addition of publication metadata to ensure archival durability and citation safety. No conceptual or analytical changes have been introduced in this version.

A forthcoming Version 1.1 ("Lab Edition"), to be released under the same DOI, may introduce standardized Lab formatting, add a small number of explanatory diagrams (e.g., institutional separation flows, licensing revenue paths, long-term buyback scenarios), and include cross-references to adjacent research within the broader corpus (including *The Hybrid Season*, *The Shadow Subscription*, and related work on incentive design and institutional governance). All substantive ideas will remain unchanged; any updates will focus solely on presentation, integration, and long-term archival continuity.

This transparent versioning process ensures that the evolution of the work remains traceable, citation-safe, and consistent with the author's broader research standards.