Financing Sport (4th edition)


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Sport organizations contend with salient financial complexities as they face increased competition in the global marketplace of the 21st century. Because of these environmental conditions, sport management and sport communication professionals must possess a working knowledge of fiscal management. This fourth edition of Financing Sport provides a thorough and insightful overview of the financial management of the sport enterprise. This textbook equips sport-industry professionals with a valuable resource that blends theoretical and pragmatic principles. Through their exploration ranging from “financial relevance of the media” to “the financing of collegiate sport,” the narrative by the authors—Dennis R. Howard (University of Oregon) and John L. Crompton (Texas A&M University)—consists of 15 chapters representing five sections.

Section I offers a critical analysis of the financial trends and challenges facing leaders of contemporary sport organizations. In Chapter 1, Howard and Crompton highlight challenges imposed by the Great Recession and the entrepreneurial mind-set of sport leaders that was instrumental in overcoming these economic difficulties. The entrepreneurial spirit is prioritized through giving sport consumers added value while controlling costs. Entrepreneurialism is also described as a valuable approach to allay the effects of the expanded viewing options that have reduced attendance at sporting events. The authors also emphasize that ticket revenue has been in declining because of more product options. This growing market competition has facilitated a need for creative revenue approaches. Some such options outlined in the book include linking ticket prices to team performance, prepaid discounts, and money-back guarantees.

The focus of financial trends shifts to college athletics in Chapter 2. In their description of the intercollegiate environment, the authors emphasize that most athletic programs have financial struggles that are attributed to increasing operating costs and dwindling revenues. Howard and Crompton call attention to the fact that only a few college programs are “in the black,” and these are the elite programs such as those at the University of Alabama, Clemson University, and Ohio State University that became wealthy through their frequent appearances in college football playoffs.

Howard and Crompton suggest that most programs rely on institutional support and student fees to remain financial sustainable. Despite this dependence on subsidiaries, athletic costs are described as spiraling out of control due to exorbitant salaries paid to administrators, as well as football and basketball coaches, and the development of lavish sport venues that cost millions of dollars to erect. In fact, the authors state that $7.7 billion in debt had been incurred to finance new athletic facilities by 2013.
The book outlines trends and challenges facing professional sport in Chapter 4, which outlines concepts related to the growth of professional sport leagues including Major League Soccer and the ongoing financial appreciation of sport franchises. This chapter provides a unique approach to inculcating finance lessons through examining accounting aspects. In this analysis, an emphasis is placed on the effects of revenue sharing on the bottom line and how sport teams are permitted to depreciate player salaries for tax purposes. Aside from growth and appreciative statistics, the chapter underscores the financial struggles of women’s and minor leagues, as well as the attendance challenges facing many leagues with expansion of electronic viewing opportunities.

The conclusion of Part I provides analysis of financing trends of sport-facility development. A brief history of facility funding is initially delineated to set the context for the exploration of how new facilities are financed. As municipalities began to compete for sport franchise in 1950s, the “civic development era” was launched by public subsidization of venues, and this public financing remained relevant into the 1990s. Chapter 4 describes the current period as the “fully loaded era” wherein venues are constructed along with amenities such as upscale restaurants, breweries, and shopping malls. The chapter goes on to emphasize that these edifices are commonly supported by private–public partnership through mechanisms such as various debit (bonds) and revenue (taxes) instruments. Public financing allocated to venue development is usually linked to the leverage held by the sport franchisee and the community.

Howard and Crompton further examine the economic rationale of public investments in sport facilities in Part II of the book. Chapter 5 discusses the importance of economic-impact analysis (EIA) and its role in establishing a solid rationale for governmental officials to support the public subsidizing of a sport facility or a sporting event. The chapter indicates that an EIA must accurately measure the number of individuals visiting a municipality to attend a facility or a sporting event that the facility is hosting. In their description of EIA, the authors highlight the role of the multiplier in providing an accurate measurement of economic benefits. The multiplier assesses how expenditures ripple through the economy to create additional economic activity for the host community in terms of increased income, sales, and employment. EIA is viewed as a measurement tool that must be carefully interpreted and reported in order to have utility to stakeholders.

EIAs are sometimes used to underscore the economic benefit generated by a sport facility or event without any attention allotted to the negative implications experienced from the development. Chapter 6 explicates the various cost types that must be measured if the EIA is to be valid and useful. Howard and Crompton insist that the public costs of constructing sport venues are underestimated by over $10 billion. Another common gaffe when preforming an EIA is the failure to include an opportunity cost in the analysis. An opportunity cost is the expense of not having enough financial resources to invest in other community projects (e.g., infrastructure, schools, parks) because of the sport investment. The chapter also distinguishes between explicit, implicit, and external society-wide costs. Although diverse in nature, explicit costs are not apparent to most stakeholders.

In Chapter 7, the importance of sport investments to the community is further discussed through the long-term legacy rationale for public investment. This