EAB

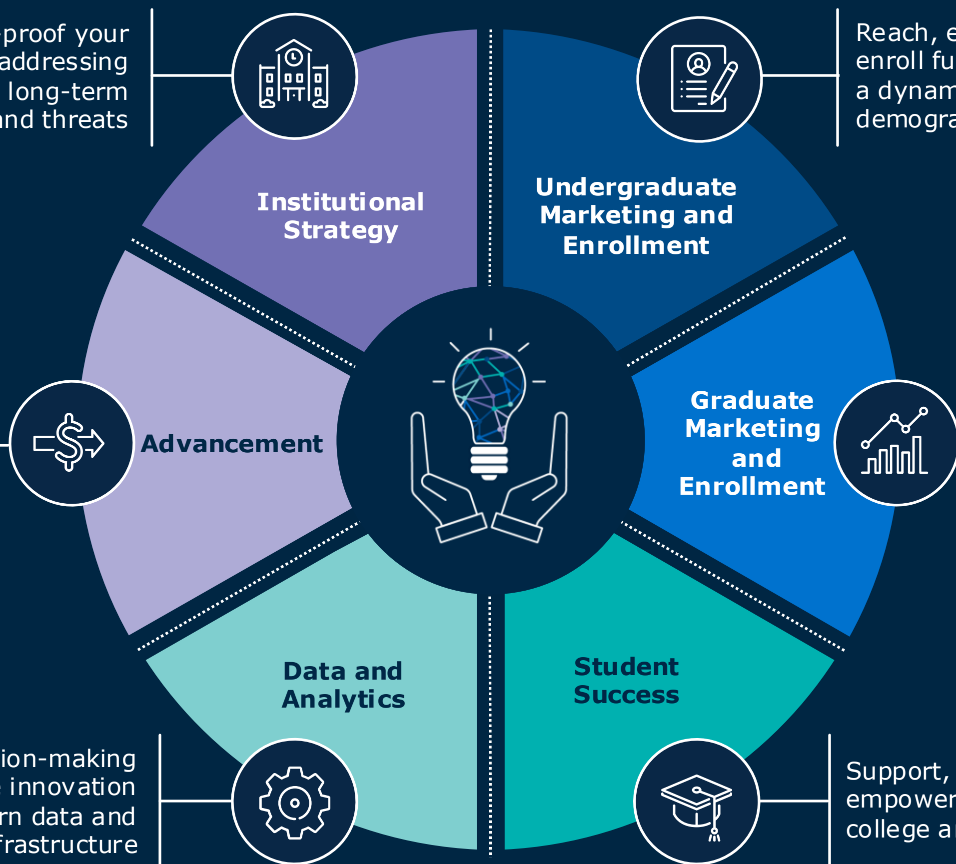
RESEARCH REPORT

NCAA Divisional Reclassification

Assumptions, Realities, and Everything You Need to Know Before Considering a Move

Education's Trusted Partner to Help Schools and Students Thrive

Insight-powered Solutions for Your Top Priorities and Toughest Challenges



Institutional Strategy: Future-proof your institution by addressing immediate and long-term opportunities and threats

Undergraduate Marketing and Enrollment: Reach, engage, and enroll future classes in a dynamic market with demographic headwinds

Advancement: Meet aspirational giving goals in an era of competing fundraising priorities and shifting donor interest

Graduate Marketing and Enrollment: Secure enrollments and revenue in an evolving graduate, online, and adult learner market

Data and Analytics: Improve decision-making and accelerate innovation with a modern data and analytics infrastructure

Student Success: Support, retain, and empower students in college and beyond

We partner with 2,800+ institutions to accelerate progress, deliver results, and enable lasting change.

95%+ of our partners return to us year after year because of results we achieve, together.

Strategic Advisory Services

Project Director

Joe Infantino

Contributing Consultants

Mary Frances Harris
Paul-Anne Robb

Table of Contents

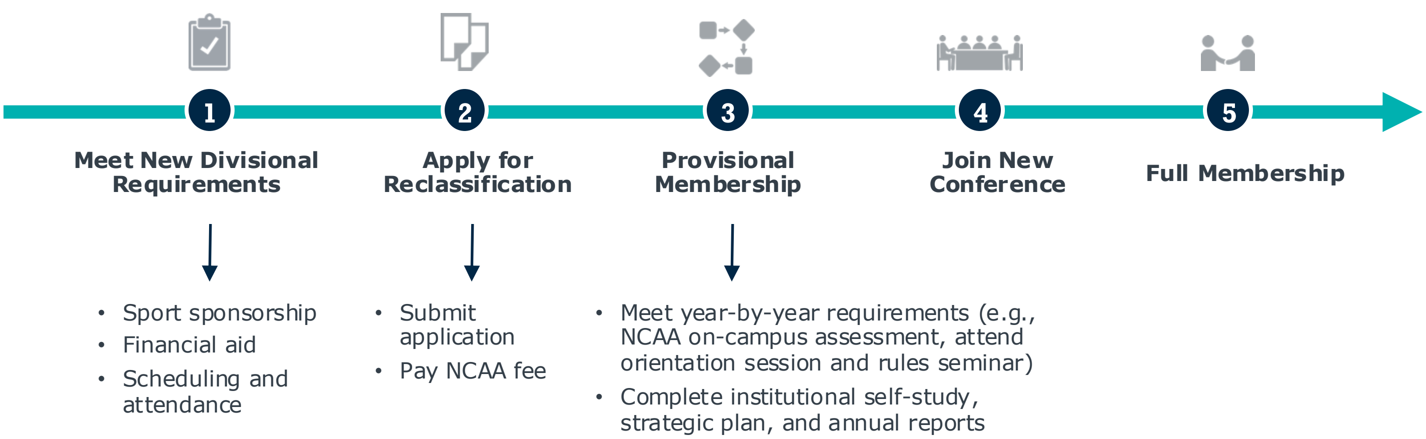
Executive Summary

Is the Turf Greener on the Other Side?

Facing a perfect storm of rising costs and enrollment challenges, some institutional leaders are turning toward athletics to boost brand recognition, drive applications, and generate more revenue. And in extreme cases, leaders are reviewing whether to reclassify to a higher NCAA division for a chance at the big payouts that, according to headlines, seem promised in those levels. Since 2021, nine colleges and universities have completed the move into a higher NCAA division. But the pace is picking up. As of December 2024, an additional 24 institutions were actively reclassifying and many more were considering it.

The NCAA Divisional Reclassification Process in Brief

Reclassification involves adopting new financial aid and compliance regulations, developing a strategic plan, and performing annual reviews and assessments over a two- to four-year provisional period. During this time, institutions are not eligible for divisional championships or conference or divisional distributions. Institutions must complete the provisional period and get approved by the NCAA's Membership Committee before being able to officially reclassify. The details of this approval and length of the provisional period vary by division.



Reclassification an Expensive Investment

Unsurprisingly, institutions that reclassify to higher divisions spend more on athletics. But costs start rising well before the provisional period (and they generally don't stop).

On average, total expenses for institutions that transition from Division II to Division I are 75% higher in the first full membership year compared to pre-transition costs. For institutions transitioning from Division III to Division II, average total expenses in the first year of full membership are more than double those of the year prior to the transition.

Even before the transition official starts, expenses increase between $1-5 million as institutions lay the foundation. For institutions reclassifying to Division I, the median cost increase in the four years leading up to the transition period is $3.3 million. These initial investments typically go into facilities upgrades, right-sizing coaching and administrative staff, marketing, and athlete recruitment. Some of the largest spend increases are for coaching compensation and athletic aid. *See the appendix starting on page 13 for more details*.

Sources: NCAA, Division III 2023-24 Facts and Figures, 2023; NCAA, 2023-24 Division II Facts and Figures, 2023; Wikipedia, List of schools reclassifying their athletic programs to NCAA Division I, 2024; EAB interviews and analysis.

Executive Summary (cont.)

Some Institutions Undeterred by High Costs, External Factors Pressure Others To Continue

Despite the costs associated with reclassification, some institutions still feel compelled to move forward. In some cases, they face external pressures, such as conference realignment limiting their competition opportunities. Others are betting on their own "Flutie Effect," a phenomenon where unexpected, sudden athletic success boosts revenue through things like merchandise sales, increased brand recognition and applications, and yield. Regardless of the circumstances, institutional leaders considering a move to a higher division must reflect on the complete implications before doing so. When institutions don't appreciate or plan for the challenges ahead, reclassification is unlikely to support their strategic goals.

The "Flutie Effect"

The phrase stems from 1984, when Doug Flutie of Boston College threw a "Hail Mary" pass to Gerard Phelan to lift Boston College to a 47-45 win of defending champion University of Miami as time expired. Over the next two years, application growth exploded at Boston College. And it made higher ed leaders ask, "what's the power in having successful sports?" There have been studies about the Flutie effect. One, commissioned by the NCAA found that found that for most Division I schools, a dollar spent only yields a dollar earned.

Two Common Assumptions Driving Reclassification

EAB has analyzed the landscape to better understand the impact of reclassification. The review found that institutions that move to higher athletic divisions not only report higher costs than anticipated, they also struggle to sustain competitive and enrollment success, and face diminishing opportunities for revenue growth. Yet institutions continue to assume moving divisions promises benefits for two reasons:

1
Assumption

Historical success in our current division means we're ready to (and should) move up.

2
Assumption

Participating in a higher division promises higher revenue.

Sources: NCAA, *Division III 2023-24 Facts and Figures*, 2023; NCAA, *2023-24 Division II Facts and Figures*, 2023; Wikipedia, *List of schools reclassifying their athletic programs to NCAA Division I*, 2024; EAB interviews and analysis.

History Does Not Predict the Future

Assumption	Reality
Historical competitive success and recognition in our current division means we're ready to (and should) move up.	Historical success has little to no impact on future performance. In fact, moving up will likely have a negative impact on competitiveness and potentially harm brand.

Competitive Success Comes at a High Price and is Far From Guaranteed

Few institutions that move divisions experience competitive success during the transition or in the years that follow. The average team takes over 15 years to return to their pre-transition competitive record when moving from D-II to D-I (Heard et al., 2014). Many institutions say one of the perks in selecting their new conference is the opportunity to earn an automatic bid to March Madness and other championship tournaments, but the probability of making the NCAA tournament during the first ten years after reclassification is between 30% and 60%.

If institutions experience competitive success at the highest level, they can see increased name recognition outside their traditional market. The University of Michigan, Texas Christian University, and North Carolina State University saw an increase in applications and yield after CFP appearances, winning the College World Series, and making the Final Four. But these benefits returned to normal after 1-2 years and required winning on a national scale in a televised sport (e.g., College Football Playoff, March Madness). Most institutions, especially those outside Power 4 conferences, simply are not financially or competitively prepared to invest at that level.

Institutional Examples

Institution		
University of Michigan	**+12%** Increase in first-year and transfer applications after winning CFP[1]	**$230.4M** Total FY24 Athletics Expenses
TCU	**+4.7%** Increase in yield after CFP, CWS[2] appearances	**$141.9M** Total FY24 Athletics Expenses
NC State	**+25%** Expected increase in applications after March Madness Cinderella run	**$118.7M** Total FY23 Athletics Expenses

Median Division I Athletics Expenses (FY22)

- **$85.7M** Football Bowl Subdivision
- **$22.2M** Football Championship Subdivision
- **$18.9M** No Football Subdivision

1) College Football Playoff. 2) College World Series.

Sources: Heard et al., *Challenges of NCAA Reclassification*, 2014; Dwyer et al., *Stakeholder Perceptions of an Athletic Program's Reclassification from NCAA Division II to NCAA Division I (FCS) Membership: A Case Study*, 2010; The University Record, *U-M sees surge in first year, transfer student applications*, 2024; Sportico, *College Sports Finances Database*, 2024; EAB interviews and analysis.

Unforeseen Consequences Hinder Brand

"Cinderella Runs" Do More Harm Than Good

Even if teams make an unlikely "Cinderella run," it tends to harm future competitiveness rather than enhance it. Many institutions in this position are unprepared for the initial surge in applications and yield, which adds an extra burden to understaffed admissions offices. In the years that follow, Cinderellas see limited access to the competitions they could previously count on to generate revenue (e.g., guarantee games). Higher ranked teams no longer want to play against Cinderellas as they are too risky to that institution's record. For example, Oral Roberts University requested to play against Duke University the season after their 2021 Sweet Sixteen appearance, but Duke rejected the request.

Cinderellas also tend to see their coaching staff and players recruited to bigger-name schools following a run. This harms the program's prestige and can put pressure on schools to offer higher salaries to attract new candidates and recruits. Trying to sustain success after the initial run pushes institutions further into a deficit despite any short-term revenue and brand gains.

Case in Brief: Florida Gulf Coat University Men's Basketball

FGCU became the first 15 seed to reach the men's Sweet Sixteen in 2013, their second year as a full Division I member.

Initial Outcomes:

- ✔ Applications increased 35%
- ✔ Season ticket sales went up 134%
- ✔ School merchandise sales more than quadrupled

Negative Impacts:

- ✖ Head coach immediately left for new job at Univ. of Southern California
- ✖ Only 2 NCAA tournament appearances since 2013 run, never beyond first round
- ✖ Unable to retain coaches, with four over 11 years

Conference Realignment Likely to Complicate Potential Brand Enhancement

Some smaller institutions consider changing conferences to align themselves with a new set of aspirational peers to boost prestige and, in turn, drive applications. But today's porous borders of conferences mean membership is unlikely to remain stable. There is no guarantee that your new peer institutions will be there once the transitional period ends. Some leaders believe that it is worthwhile to incur conference exit fees, which often run in the tens of millions, to avoid damage to their brand. As a result, one institution in the probationary period is already planning to shift conferences once they become full members of their new division.

> "We chose [our new conference] because we thought we could compete faster with them. But a lot has happened in the last two years. The schools we wanted to be affiliated with in our conference moved elsewhere. We're probably the leader of our conference now, but you want to be with other schools that are aspirational."
>
> Chief Advancement Officer
> Regional Private Institution

Sources: Collier et al., *The "Cinderella Effect"*, 2020; Front Office Sports, *Cinderella Runs Are Great in the Moment. Then Things Can Get Messy*, 2024; Lopresti, *Looking back at 8 NCAA tournament Cinderellas—and what happened to those programs after that*, 2023; EAB interviews and analysis.

Market Dynamics Limit Access to Revenue Sources

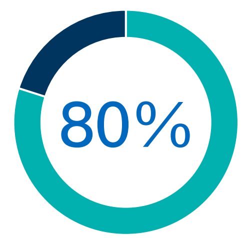
Assumption	Reality
Participating in a higher division promises higher revenue and enrollment.	Shifting market dynamics means access to revenue opportunities (e.g., media deals, guarantee games, conference payouts) and student markets is getting even more limited.

College Sports a Growing Market, But It's the Rich Who Will Get Richer

College sports are expected to increase revenue totals in the next decade, but those gains will be concentrated among a small group of institutions. Most will be left out. Current projections indicate 134 FBS[1] institutions will generate $20.9 billion of revenue in 2032, up from $9.6B in 2022. But $16.7 billion of that revenue will be generated by just 54 public institutions, all of whom are in the Autonomy 5 conferences.

Institutions at the top are consolidating resources in large part because of conference realignment and the NCAA's legal issues. As a result, the perceived financial benefits of moving divisions are anything but certain.

Proportion of FBS Revenue Generated by 54 Institutions in 2032



NCAA's Legal Uncertainty Threatens Future Revenue

The NCAA's impending legal decisions also limit the amount of revenue available through championship funds and guarantee games. In the wake of the House v. NCAA settlement, billions of would-be revenues are going elsewhere.

In the coming years, Division I members are expected to pay:

$2.8B

Distributed by NCAA, D-I conferences to current and former student-athletes in damages over the next 10 years

$20M

Paid annually to student-athletes by Power Conference members in revenue sharing, beginning in 2025

The NCAA will tap into six Division I funds, including March Madness distributions, to cover its share of costs. Meanwhile, Division I institutions will begin splitting revenue from media and ticket sales with student-athletes. These factors may cause power conferences to consolidate designated conference spots in NCAA tournaments and opt out of guarantee games as cost-cutting strategies. With more NCAA legal decisions to come, institutions hoping to reclassify cannot count on these potential new sources for exposure and revenue.

1) Division I institutions participating in the Football Bowl Subdivision.

Sources: Knight Commission on Intercollegiate Athletics, *Financial Projections Through 2032 for Division I FBS Programs*, 2023;

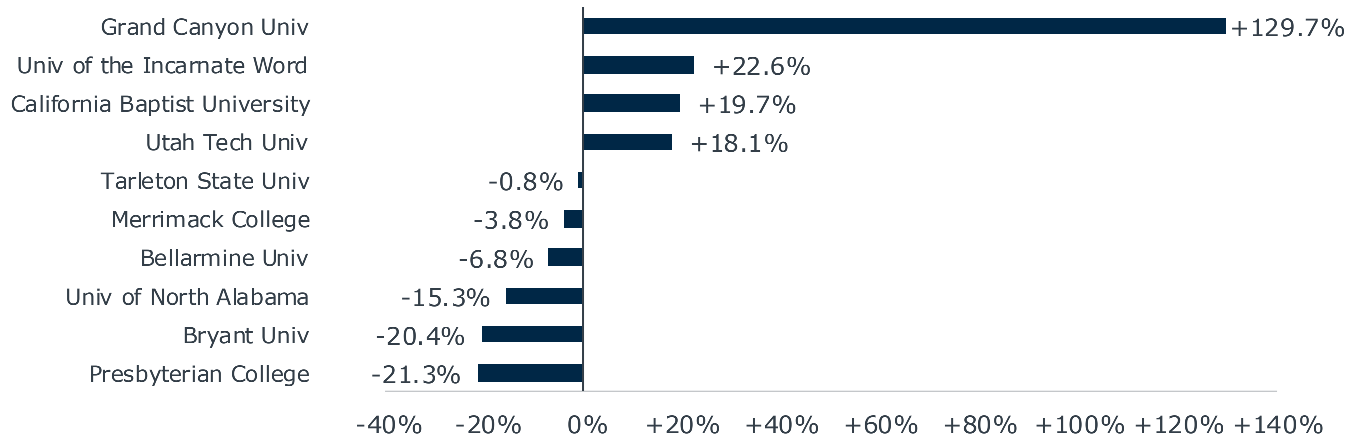
Assumption #2

Mixed Results for Enrollment, Tuition Revenue Growth

Enrollment Funnel Shifts for for Reclassifying Institutions

While reclassification may offer greater institutional exposure, enrollment growth from that visibility is far from certain. EAB's analysis of 10 institutions who reclassified into Division I found only four increased first-time enrollments between 2016 and 2021.

Percent Change in the Number of First-Time Students, 2016-2021

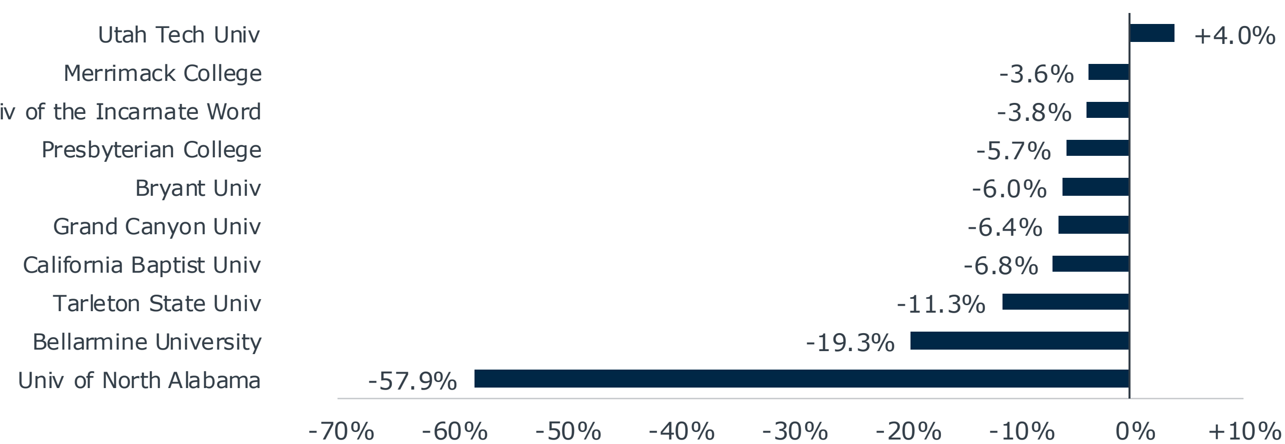


Interpret Grand Canyon University's growth with caution. While athletics may have helped GCU expand, 64% of its first-time students attend fully online via its rapidly growing online offerings.

Net Tuition Revenue (NTR) Per Student Tends to Decrease

All but one institution saw NTR/student fall from 2016 to 2021. This calculation includes athletic scholarships among other scholarships and grants funded by the institution. Rising athletic scholarships could explain this trend.

Percent Change in Net Tuition Revenue Per Student, 2016-2021



Before initiating the reclassification process, use EAB's **Divisional Reclassification Readiness Assessment** on the next page to evaluate if reclassification is the right decision to achieve your institution's business and athletic goals.

Source: IPEDS Data, Inflation calculator; Minneapolis Federal Reserve Bank; EAB interviews and analysis.

Tool

Divisional Reclassification Readiness Assessment

Readiness Criteria for the Transition to a Higher Division

How to Perform This Analysis: Check the box next to each criteria that you have completed. For each incomplete criterion, make a plan with your board, cabinet, and athletic director to meet it during the transition process. For a successful reclassification, institutions should meet all criteria.

Stakeholder Buy-In

☐ We have sought input and gotten support for reclassification from the following groups:

- ❑ Student-athletes
- ❑ Coaches/athletic staff
- ❑ Board
- ❑ Alumni
- ❑ General student population
- ❑ Cabinet
- ❑ Local community
- ❑ Donors
- ❑ Faculty and staff

☐ We have specifically consulted all coaches about the benefits and drawbacks of reclassification in their respective sports.

☐ We have resource commitments from the board and alumni to support the upfront costs of our divisional transition.

☐ We have resource commitments from the board and alumni to support the ongoing costs of our divisional transition.

Geographic Considerations

☐ There is enough appetite in our local community to attend athletic events that we can charge admission for games in at least some sports and generate local NIL deals.

☐ In-conference peers are in locations where travel to competitions does not significantly increase costs (e.g., through overnight accommodations, costly modes of transportation).

☐ We are prepared to operate in a new enrollment market following the transition (e.g., admissions staff for new markets within your conference/division).

Financial Implications

☐ We have planned budgets during the probationary period that account for:

- ❑ Facilities upgrades & maintenance
- ❑ Increased athletic aid
- ❑ Increased coaching salaries
- ❑ Additional administrative positions (e.g., compliance, academic support)
- ❑ Enhanced administrative training
- ❑ Sport sponsorship requirements
- ❑ New conference travel costs
- ❑ Increased recruitment costs

☐ We have planned budgets for at least three years beyond the probationary period that do not include revenue generated from guarantee games or championship funds.

☐ We have developed a differentiated investment strategy for different sports based on competitiveness and their ability to generate revenue.

Source: EAB interviews and analysis.

Divisional Reclassification Analysis, cont.

Talent & Competitiveness

- [ ] We are already maxing out our roster sizes in most, if not all, sports in our current division.
- [ ] We have consulted with coaches, athletes, the athletics staff, the board, and alumni about the expectation of winning during and after our transition.
- [ ] We are prepared to initially have worse competitive records than usual.
- [ ] We are prepared to hire new head and assistant coaches and develop our existing staff to meet the level of our new conference peers.
- [ ] We are prepared to support current and prospective student-athletes in NIL opportunities and pursuits.

Peer Alignment

- [ ] We have an awaiting offer from a conference whose current membership reflects our mission, vision, values, and institutional profile (e.g., small liberal arts colleges, flagships).
- [ ] Our institution matches our intended conference's members and student-athlete standards in terms of enrollment, facility quality, and facility capacity.
- [ ] We have identified single-sport conferences for programs that may not be supported by our intended conference.

Compliance

- [ ] We have plans to remain in compliance with the following during and after the transition:
  - [ ] Title IX
  - [ ] New division academic eligibility requirements
  - [ ] Mental health supports and best practices

Student-Athlete Success

- [ ] We are prepared for negative impacts on student-athlete recruitment and retention that stem from disengagement (e.g., upset with playing time, misalignment with coach).
- [ ] We have physical and mental health support structures in place to help current student-athletes navigate the transition to a higher division (e.g., higher levels of competition, expectations for playing time, competing with new recruits).
- [ ] We have academic support structures in place to help current student-athletes navigate new eligibility requirements and practice schedules.
- [ ] Our academic offerings are consistent with prospective student-athlete expectations.

Source: EAB interviews and analysis.

Appendix

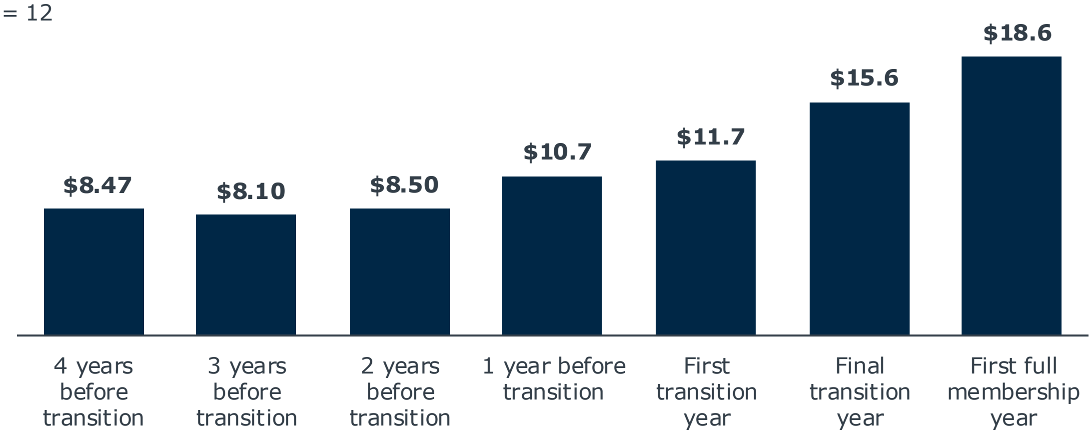
Institutions Included in the Analyses

Institution Name	Old Division	New Division	Transition Dates
Grand Canyon University	D-II	D-I	2012-2017
University of the Incarnate Word	D-II	D-I	2013-2017
California Baptist University	D-II	D-I	2018-2022
Utah Tech University	D-II	D-I	2020-2024
Tarleton State University	D-II	D-I	2020-
Merrimack College	D-II	D-I	2020-2023
Bellarmine University	D-II	D-I	2020-
University of North Alabama	D-II	D-I	2019-2022
Bryant University	D-II	D-I	2009-2012
Presbyterian College	D-II	D-I	2008-2012
Emory & Henry College	D-III	D-II	2018-2021
D'Youville University	D-III	D-II	2020-2023
University of Texas at Tyler	D-III	D-II	2019-2021
College of Staten Island	D-III	D-II	2019-2021
Frostburg State University	D-III	D-II	2019-2022

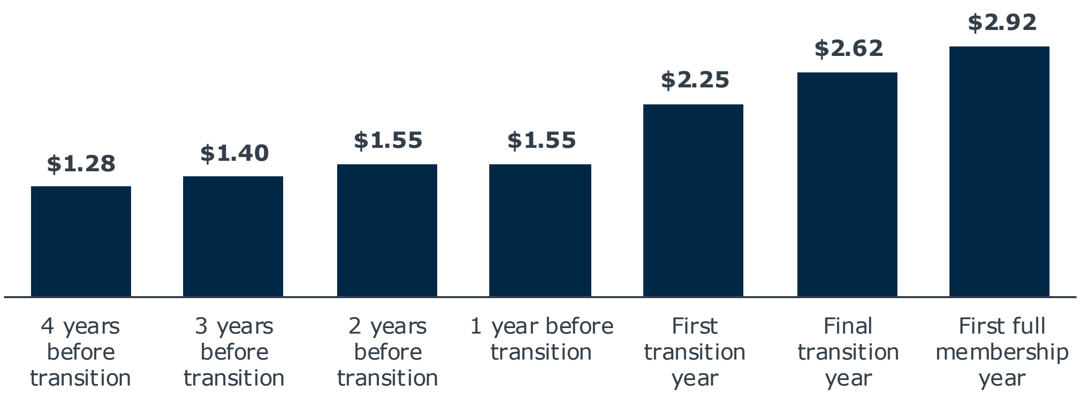
The Costs of Divisional Reclassification

The following charts show how medial total expenses, coaching compensation, and athletic aid costs increase before, during, and after the transition to Division I.

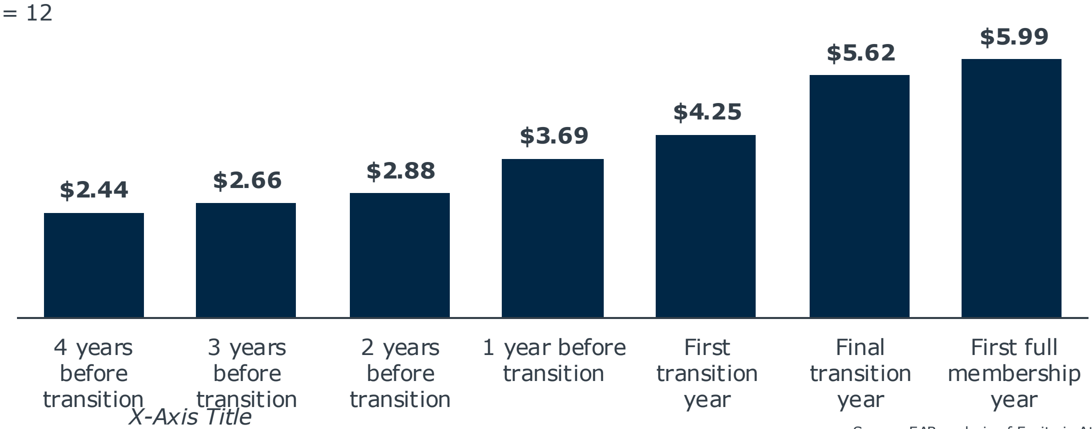
Median Total Athletics Expenses for Institutions Reclassifying to NCAA Division I (in millions)
n = 12



Median Coaching Compensation Costs for Institutions Reclassifying to NCAA Division I (in millions)
n = 12



Median Athletic Aid Costs for Institutions Reclassifying to NCAA Division I (in millions)
n = 12



Source: EAB analysis of Equity in Athletics Disclosure Act data.

202-747-1000 | **eab.com**

@eab @eab_ @WeAreEAB @eab.life

ABOUT EAB

At EAB, our mission is to make education smarter and our communities stronger. We work with thousands of institutions to drive transformative change through data-driven insights and best-in-class capabilities. From kindergarten to college to career, EAB partners with leaders and practitioners to accelerate progress and drive results across five major areas: enrollment, student success, institutional strategy, data analytics, and diversity, equity, and inclusion (DEI). We work with each partner differently, tailoring our portfolio of research, technology, and marketing and enrollment solutions to meet the unique needs of every leadership team, as well as the students and employees they serve. Learn more at eab.com.