

OSU'S MASTER PLAN: STRATEGIC ISSUES

Summary

The Oklahoma State University System is a multimillion-dollar organization. Recently, it received a gift of \$165 million, cash, earmarked for athletics facilities. The OSU Administration is still seeking approval from the Board of Regents for a Master Plan that shows those athletics facilities located in the middle of Stillwater.

Wise use of this gift requires considering many strategic issues. An organization's vision may start with wishes and dreams, but that vision must be translated into realistic, responsible action, and that action must be supported by facts. Some of the questions to consider in OSU's transition from dreams to actions fall into these six categories: location, eminent domain, ongoing support, leadership, public relations, and data. Discussion of these issues leads to the following conclusions.

Location: *The location of the athletics village, as specified in the current Master Plan, is ill-advised and, therefore, controversial. The current Master Plan presents just one option for this athletics village, and there's no evidence that it's the best option.*

Eminent Domain: *If the athletics village remains located as stated in the current Master Plan, OSU will be forced to try to exercise its right to eminent domain to acquire the property. This use is controversial, and Oklahoma legislators may even determine that it is not legal. OSU should find options that won't require it to depend on this right.*

Long-Term Support: *Building athletics facilities commits OSU to supporting them in the long term, which depends on increasing donations considerably and consistently for the foreseeable future. Also, debt for academic facilities must be secured and paid off, which will also depend on increased donations. OSU leadership must demonstrate plans for reliable financial support for these commitments.*

Leadership: *The current OSU leader does not seem to demonstrate the consistency of vision, influence over staff and donors, or leadership ability necessary to direct OSU through this expansion phase successfully.*

Public Relations: *OSU's internal and external relationships have suffered as a result of OSU's ongoing insensitivity in response to this \$165 million gift. When OSU's future success depends even more heavily on its relationships, particularly with alumni, OSU should improve its real responsiveness to all of its constituent groups – not simply to the wishes of one donor.*

Data: *OSU's plan for using this \$165 million must depend on solid, quantifiable information. This information should be shared openly, questioned carefully, and considered thoughtfully and thoroughly. The data regarding economic development may need to withstand legal scrutiny. The assumption that better athletics programs equate to increased alumni giving is not confirmed by studies. Future OSU budgets – both athletic and academic -- will depend on ongoing large increases in alumni giving. Before any further land purchase or construction, OSU must make its data widely available to help inform the Regents' decision.*

DISCUSSION

Location

Acquiring 410 homes, as required for the athletics village in the current Master Plan, has generated much controversy, which is addressed further in a later section. Acquiring all the acreage necessary to build the athletics village will require time. Meanwhile, OSU already owns 25,000 acres of vacant land.

Why not locate the facilities on property OSU already owns? One apparent objection is that locating the athletics village anywhere but immediately adjacent to the stadium would create logistical problems. Another objection is that the Regents and OSU made a somehow-unalterable decision to locate athletics in the core of Stillwater under previous leadership, when the Gallagher-Iba renovations started.

Here are some questions to consider relating to location:

- In what way does the location of the football stadium require other parts of an athletics village to be located nearby? What parts of an athletics village would those be? Is splitting the facilities of the athletics village – locating some north of the stadium and some on other land – a viable option? Why or why not?
- What problems, exactly, would be created by locating the entire athletics village, minus Gallagher-Iba and the football stadium, near Karsten Creek? Why not allow the existing golf facility to serve as the village's anchor?
- It's true that previous leaders at OSU, given the economic and political climate of the time, decided to renovate the existing football stadium and basketball arena instead of building new elsewhere. However, they could not have foreseen the \$165 million gift and the athletics village. Therefore, the current OSU Administration can't factually say that the actual decision to build the athletics village was made in the past. In any case, given the cash gift, those conditions have changed. What makes sense today? What is the best option given the realities of the current situation?

Logistical problems often have simple, beautiful solutions when creative minds go to work. OSU has at its disposal a professional planning company. Why not direct Benham to create a new plan showing an athletics village somewhere on the existing 25,000 acres or specifically co-located with Karsten Creek? In fact, why not ask three planning companies for initial conceptual designs? In looking at the best investment of a gift of this magnitude, it makes good business sense to consider as many options as possible.

Conclusion: The location of the athletics village, as specified in the current Master Plan, is ill-advised and, therefore, controversial. The current Master Plan presents just one option for this athletics village, and there's no evidence that it's the best option.

Eminent Domain

Issues of location bring up OSU's appropriate use of eminent domain. OSU is trying to acquire so much land in a very short time. It's inevitable that some property owners will refuse to sell. No matter how the OSU Administration tries to distance itself from any previous mention of

eminent domain, OSU will probably be forced to try to exercise its right to eminent domain if it locates this athletics village north of Hall of Fame, in the core of Stillwater.

The U.S. Supreme Court in June of 2005 found it legal to use eminent domain for economic development. However, the Oklahoma Senate set up a task force last summer to investigate the abuse of eminent domain, and it's by no means clear that Oklahoma lawmakers would approve economic development as an appropriate use of eminent domain in Oklahoma.

Another problem is that OSU's own statements cast doubt on its right to use eminent domain. According to the OSU Foundation web site, less than half of OSU's funding comes from state sources. If OSU doesn't receive even half of its budget from state sources, is it still a state entity? If not, how is it authorized to exercise eminent domain? If so, why does the OSU Foundation claim that OSU is not a state-supported institution? Is any institution that receives state dollars – any nonprofit organization receiving a state grant, for example – eligible to use eminent domain? What's the cutoff point in percentage of operating budget that comes from state monies (50%? 75%?) before an institution is authorized to use the right of eminent domain?

These questions are not trivial. Until the Regents have answers to these questions, they have no assurance that OSU's use of eminent domain would be legal in this situation.

Further, it could be argued that property owners – both homeowners and business owners – in the area targeted for purchase have suffered damages as a result of use of the term “eminent domain.” Simply mentioning the term in association with acquisition of property, especially after publishing a proposed Master Plan with a map showing exactly which properties OSU wants, drives down the value of that property. OSU's request that homeowners not publicly disclose the amounts offered, and OSU's offer of 2/3 the appraised value for one home it recently purchased, both provide interesting legal evidence for any future class action suit.

Here are some additional questions to consider in relation to eminent domain:

- If OSU were to try to use eminent domain to acquire property for the athletics village, would that use stand up to scrutiny by the Oklahoma Senate? Members of the Senate Task Force said in December news reports that OSU's actions in this matter will be part of its discussion this session. Is OSU ready for that kind of scrutiny and questioning?
- How would the Senate and the Governor's office, to say nothing of the courts, view the situation if OSU bought land hastily, in an effort to complete the purchase before the state of Oklahoma could appropriately determine fair use of the right? Even if OSU successfully completed its purchase before the state regulated use of eminent domain, does OSU want a reputation for actions that could be construed as “barely legal” or “squeaking in under the wire”?
- What reasoning could OSU use for acquiring the land through eminent domain? The components of an athletics village – unlike a street, bridge, or sewer – don't provide direct benefit to citizens' greater good. The athletics village also doesn't contribute directly to the education of citizens, or even their educational excellence, so OSU can't claim that benefit for its use. That leaves only economic development, which, again, is a use that's under particular scrutiny. If OSU's use of eminent domain relies on economic development benefits, those benefits should be explicit and well-documented. What

numbers does OSU have? Will they stand up in court?

These questions represent only a fraction of those relating to eminent domain. OSU has many legal resources to draw on – but using them to fight any challenge to its use of eminent domain simply adds to the cost of the athletics village.

Economic development benefits are considered further in the *Data* discussion.

Conclusion: If the athletics village remains located as stated in the current Master Plan, OSU will be forced to try to exercise its right to eminent domain to acquire the property. This use is controversial, and Oklahoma legislators may even determine that it is not legal. OSU should find options that won't require it to depend on this right.

Long-Term Support

Using Mr. Pickens' gift to support the construction of the athletics village doesn't take into account the long-term costs that OSU will be responsible for.

One commitment will be to maintain the athletics village after it's built. In the announcement of this gift, both Regent Hargis and AD Holder were vocal about the cost of maintaining the athletics village facilities. AD Holder in particular said that his budget wasn't enough to support new athletics facilities long-term -- citing a need to bring his operating budgets to the \$45 million level found elsewhere in the Big 12, an increase of at least \$10 million a year.

A second commitment is related to other construction in the Master Plan. Academic facilities and other support structures – like the parking garage – aren't financed by the gift from Mr. Pickens. Presumably, these facilities will be financed by debt, and that debt must be secured and repaid. Those facilities, too, will require support, which means increasing OSU's operating budget.

Here are some questions to consider relating to long-term support issues:

- Apparently, the thinking is that better athletics facilities will stimulate ongoing support from alumni for both academic and athletic operating expenses. But what if they don't? How would OSU fund the cost of maintaining and supporting these facilities?
- The academic facilities proposed in the Master Plan are routinely described as “state-of-the-art.” However, facilities needs, particularly in science and technical areas, can change. What if alumni support flowed for athletics, but support for academics didn't increase proportionately – or even slowed? How would OSU support any future academic facilities? How would OSU allocate its non-athletic budget between supporting academic facilities and infrastructure facilities, such as the parking garage?
- Does OSU have the necessary expertise in facilities maintenance on staff? What is OSU's track record in adequately maintaining buildings, such as Old Central and the Firehouse? How can OSU learn from the experience with the high-rise dorms and ensure that any new facilities don't become somehow obsolete long before they should? Will professionally maintaining and supporting all the new facilities require new staff with new expertise and better coordination skill? How much will it cost to create these professional positions and hire people to fill them?

The relationship between athletic investment and alumni support for both athletics and academics is considered further in the *Data* discussion.

Conclusion: Building athletics facilities commits OSU to supporting them in the long term, which depends on increasing donations considerably and consistently for the foreseeable future. Also, debt for academic facilities must be secured and paid off, which will also depend on increased donations. OSU leadership must demonstrate plans for reliable financial support for these commitments.

Leadership

An organization's long-term success depends on its people -- especially its leaders, who inspire dedication and focused achievement in the rest of the organization. Seeing long-term construction projects through to their successful completion requires a consistent statement of vision and purpose. It would be wise to consider whether OSU's current leader demonstrates not only that consistency but also other qualities of a leader who can successfully steer a large public university through a time of significant building.

In the past two years, OSU System CEO and President Schmidly has presented at least three statements of vision and purpose. Working backward from the most recent statement:

- In the announcement of the gift from Mr. Pickens, as archived on OSU's web site (http://osu.okstate.edu/news/osuhistoricgift_shutt.htm), Dr. Schmidly mentions "a three-pronged approach to developing a top-tier university," with the three prongs being athletics, academics, and student life.
- The "Achieving Greatness" strategic plan emphasizes a different set of priorities. For the OSU-Stillwater campus specifically, the seven strategic goals are academic excellence; student success and development; engagement and outreach; diversity; human resources; enhance and leverage resources; image, pride, and recognition; and the education, research, and economic development foundation (http://system.okstate.edu/planning/plans/viewplans_stwintro.php). The report includes two strategic goals related to ranking: moving into the top tier, from its current place in Tier 3, in the rankings performed by *U.S. News and World Report* and breaking into the top 75 public research universities, as determined by The Center at the University of Florida. Athletics is mentioned only in relation to image, where it appears after academics: "Pride in the university must come from recognition of academic excellence and intercollegiate sports programs."
- As recently as February of 2004 – just two years ago -- Dr. Schmidly presented the traditional "teaching, research, and extension" model of academic excellence at town hall meetings (<http://pio.okstate.edu/townhall/documents/townhallscript.doc>). In that presentation, athletics was mentioned briefly, in talking point #38 of 43.

The most recent statement is a significant revision to the previous two vision statements, around which OSU's planning and activities have been centered – at least until the recent gift from Mr. Pickens. Intercollegiate athletics are an inextricable part of public universities, but what role does an athletics program play in a university's quest to become a top-tier institution? Where does the

athletics program come in the list of priorities?

Here are some more specific questions:

- Is the \$165 million gift driving OSU away from its pursuit of top-tier university status in the two academic rankings mentioned in “Achieving Greatness”? Has moving up the ladder in rankings of Big 12 athletics facilities and budgets become **as important** as OSU’s pursuit of academic excellence, as indicated by Dr. Schmidly’s most recent statement, which equates athletics and student life with academics?
- Has the gift of \$165 million already begun to drive OSU’s activities for the duration of the construction of the athletics village? Will construction on all buildings proceed concurrently? Or will the academic buildings wait for further fund-raising and financing negotiations, while the athletics construction begins? Exactly when will construction for the academic facilities – not the infrastructure facilities – start? What timeframe is their construction scheduled for, relative to the athletics village and infrastructure improvements? What is their priority?
- If another donor were to appear, how would Dr. Schmidly’s statements of OSU’s goals change? Would OSU’s goals themselves –not just the statement of them -- change, if another large donor came forward? How **should** OSU leadership respond to donors with deep pockets?
- It appears that OSU’s strategic vision is in flux. Who, exactly, is leading OSU’s quest toward its strategic plan?

A news item on *Inside Higher Ed*, a web site run by former staff from the highly respected academic newspaper *The Chronicle of Higher Education*, sheds some light on this last question (<http://www.insidehighered.com/news/2006/01/11/boone>). In the article, Dr. Schmidly says, “I can’t tell a donor, ‘Don’t give us this money for this, because we really wanted to give it over here.[’] I’ve got more sense than that.” Earlier in the story, he mentions Mr. Pickens’ promise of more gifts for OSU down the line, saying that he’s “confident that we’ll get more money from him later and that we’ll look at other issues.” Dr. Schmidly has made comments in this same vein in other venues, including a January meeting with OSU’s Student Government Association.

Both statements show that Mr. Pickens and his desires drive OSU priorities. OSU’s leadership either can’t or won’t steer his giving into an area that is more in line with OSU’s stated strategic vision. Therefore, even if Mr. Pickens does give more money to OSU, where will it go? More important, who will make that decision? Will OSU’s leadership exercise any influence in how the gift is directed?

In considering whether the current OSU leadership demonstrates other qualities necessary to lead OSU through this growth opportunity, you might consider Dr. Schmidly’s track record at OSU. Have other projects he’s led created problems with faculty, staff, or students? Has his administration been subject to allegations of wrongdoing or have staff members acted in ways to embarrass OSU? Have any senior staff members resigned since he became leader, and what were the reasons for those resignations? Has the OSU infrastructure run smoothly since Dr. Schmidly became its leader?

Leaders can’t always be popular, and neither can their decisions – from outsourcing janitorial

services to hiring former colleagues to buying land for an athletics village. However, when equally viable and less problematic alternatives are offered, how does OSU's current leader respond? Does he seriously consider the alternatives? Does he lash out, either in public or in private, when another campus leader publicly disagrees with him?

Does the current OSU leader show that he understands and respects the approval processes that are necessary before OSU can take action? The OSU Regents haven't yet approved any Master Plan; however, OSU has been proceeding with land acquisition in area targeted for the athletics village. OSU claims to be negotiating with "willing sellers" – a concept that, once eminent domain has been mentioned, is questionable at best. Why is OSU proceeding as if approval of the current location of the athletics village is certain? Is this the action of a leader who respects the authority and welcomes the role of the Board of Regents?

Finally, OSU was a thriving institution of higher education before Dr. Schmidly came from Texas Tech, and OSU will still be a thriving institution after Dr. Schmidly leaves to seek his next leadership challenge. Who, specifically, will oversee the completion of the construction projects in the event of a change in leadership? Again, it's instructive to turn to OSU's experience with construction of other athletics facilities.

Did the financing flow as planned for the football stadium expansion and renovation? Were the facilities completed in time? How did the interim costs compare to initial estimates? What about final cost estimates – how do they compare to the initial projections? What actions, and by whom, could have prevented some of the delays and cost overruns? OSU leadership bears the ultimate responsibility for the completion, successful or delayed, of these projects. When leadership changes, it's even more difficult for an institution to maintain control over these types of projects – and OSU may be pursuing several construction projects at once, which presents an exponentially complicated leadership challenge.

Conclusion: The current OSU leader does not seem to demonstrate the consistency of vision, influence over staff and donors, or leadership ability necessary to direct OSU through this expansion phase successfully.

Public Relations

The public relations function is a vital part of managing any organization's relationships. Relationships, both internal and external, are essential to OSU's success.

Internally, OSU leaders must listen to OSU faculty, staff, and students. To meet its vision of becoming a top-tier university, OSU must achieve excellence in research and teaching. In December, the Board of Regents heard a request from the OSU faculty, staff, and student (undergraduate and graduate) organizations to slow down the process of approving the Master Plan, to seek input and revision in several areas. This request shows that the current Master Plan doesn't reflect the values or desires of the internal OSU Family.

Also, OSU is bound to listen to the direction and guidance of the Board of Regents. As mentioned earlier, continuing to purchase land as if Regent approval of the Master Plan were

assured shows OSU's lack of respect for the role and wisdom of the Regents.

OSU's external environment encompasses a complicated web of relationships – with the City of Stillwater, with Stillwater business owners and homeowners, with Stillwater residents, with alumni, with taxpayers of the state, and with elected officials at the state and federal levels. In addition, OSU competes with other universities in measures of academic excellence, such as the rankings in *U.S. News and World Report*, and those rankings depend in part on OSU's external relationships.

OSU President and CEO Schmidly has acknowledged that the initial announcement of the Master Plan wasn't handled in the best possible manner. Since the December meeting of the Board of Regents, Dr. Schmidly has granted many interviews. In one interview, (December 26, 2005 *Daily Oklahoman*), Dr. Schmidly said that it's "inconceivable" to him that Stillwater homeowners didn't foresee that OSU would want their property someday. Telling Stillwater homeowners that that they're bad business executives – that losing their homes is their own fault – has not been a particularly effective strategy for improving relationships with property owners.

Dr. Schmidly also has repeatedly expressed a hope to "increase understanding" of the Master Plan. The problem with this public relations strategy is that much of the opposition to the plan comes not from any misunderstanding, but from understanding. People in Stillwater and others who oppose the plan aren't stupid or misguided. These constituents have problems with the plan – not just with the way the plan was presented, but with the plan itself. Yet there is no evidence that any input by the constituents about these problems has changed the plan substantively. The only conclusion is that OSU simply does not listen and does not care.

Further, since the \$165 million gift, Dr. Schmidly has presented it as one step toward an entire Master Plan – which, as mentioned, has not yet been approved by the Board of Regents. Although Dr. Schmidly tries to emphasize the academic facilities in the Master Plan, the gift and its future earnings are earmarked only for athletics programs – specifically, for finishing the stadium and building an athletics village. Linking this gift to OSU's future academic investments is misleading. The two efforts are separate. Cash for athletics doesn't translate into academic investment, and saying so doesn't demonstrate a commitment to honesty or inspire trust.

OSU's internal relationships aren't faring any better over time. Although the members of the OSU family have expressed appreciation for the recent \$165 million gift, faculty and students have also publicly expressed regret, in many venues, that the gift is only for athletics. If OSU is forced to use eminent domain to acquire property, as is likely, this plan will continue to generate even more negative publicity. Video footage of bulldozers, juxtaposed with irate homeowners, won't improve OSU's public image or help build relationships, either internal or external.

As facilities are built, OSU may see some positive stories in the media, but if the donations from alumni aren't enough to meet facility support, expect yet another downturn in publicity – and in the quality of OSU's relationships. Mr. Pickens has said in news stories that he doesn't care if anyone is angry at him, but can OSU afford to alienate the Stillwater community, residents, alumni, and future students? Literally, can OSU **afford** it – when OSU depends on donations from these very people to maintain and support an expensive athletics village and under-funded

academic programs?

Further, what effect is the recent athletics-only gift having on OSU's larger reputation, outside the state? Other Big 12 schools may be envious of OSU's gift, but they know that athletics success depends on good coaching and recruiting, not on facilities. Academically, OSU's reputation may well be in trouble. The *U.S. News* rankings depend in part on how OSU's academic peers perceive the institution. The recent announcement of \$165 million for athletics won't improve other institutions' opinion of OSU's academic excellence. With a new reputation for investing primarily in athletics, OSU may find it more difficult to attract and retain outstanding faculty and students. If the process goes forward as outlined in the current Master Plan, this gift will hurt OSU's ability to achieve its strategic goals.

Here are some further questions to consider in relation to OSU's public relations effort and its public image:

- Why can't OSU accept a record-breaking gift without alienating many of the very communities that should be the happiest, and upon whom OSU depends to ensure its success? What went wrong? What needs to change in the short-term, relating specifically to this gift?
- Does OSU have the leadership, combined with the public relations expertise, to treat constituents as intelligent individuals and groups that have legitimate concerns with the current Master Plan? Is OSU willing to respond to constituent needs, not with empty reassurances or condescension, but with changes that can provide win-win solutions?
- Does OSU have the leadership to recognize, respect, and honor the interests of various stakeholder groups, even when they conflict with the desire of a powerful donor to see a winning football program?
- Over the long term, how can OSU mend its public image to be sure that this gift doesn't harm its efforts to meet its strategic goals? Does it have the current expertise on staff?
- What steps is OSU willing to take to re-create the relationships it requires to be successful in the future? How costly is it to repair what has been broken? How much further alienation can OSU afford?

Opposition to the current Master Plan, both before and since the \$165 million gift, is vocal and enduring. All of OSU's relationships need mending, and mending them will require listening and responding with respect.

Conclusion: OSU's internal and external relationships have suffered as a result of OSU's ongoing insensitivity in response to this \$165 million gift. When OSU's future success depends even more heavily on its relationships, particularly with alumni, OSU should improve its real responsiveness to all of its constituent groups – not simply to the wishes of one donor.

Data

Before making a wise strategic decision about how best to use the \$165 million gift, the following sets of data should be carefully considered:

- Demographics
- Economic development

- Athletic success and alumni giving

Demographics: At the December Board of Regents meeting, Regents received a report raising a few issues related to population demographics. The report is also available at www.okstateexpansion.com. When the population of 18-to-24-year-olds is falling in Oklahoma and the nation, what are OSU's specific plans for maintaining its enrollment? How will the enrollment decline reduce of the future pool of alumni, on whom OSU will depend?

Other relevant questions weren't raised in that particular report: Is the slight increase in Texas population enough to make up for the decline in population in the region? How, specifically, will OSU lure Texas students when many Texas schools have equally competitive football teams, superior academic programs, and less expensive tuition? The demographic report also doesn't address any loss of OSU-Stillwater students to OSU-Tulsa, which is pursuing a goal of 20,000 students by 2020. Where will these students come from, if not in part from OSU-Stillwater? How is OSU-Stillwater addressing that drain on its enrollment and future alumni base?

Economic development: Any building project brings vague promises of economic development benefits for the town where it's located. OSU is listed as a client of Minnesota Implan Group, Inc. (<http://www.implan.com/index.html>), a company that sells an economic impact modeling system. Therefore, OSU should be able to quantify, in detail, the economic development benefits it promises and in what industrial sectors they will appear. OSU should also be able to discuss how it arrived at those economic development numbers – the baseline data, the multiplier it uses, and how each was selected as the best representation of the situation.

Many arguments can be made to show that this gift actually harms economic development in Stillwater:

- By removing the right of private companies to develop the property targeted for the athletics village, OSU is actually decreasing economic development opportunities for private business in Stillwater. Just as construction jobs can have ripple effects into the housing sector, dis-incentives for private businesses also have ripple effects.
- OSU's willingness to use its right of eminent domain to commandeer property may cause private companies to think twice about locating in Stillwater or anywhere near OSU's current property holdings.
- Significant acreage in Stillwater would become OSU property. OSU pays no property taxes, which means that the purchase is an economic penalty to the City and the Stillwater public school system. Both the City and the School Board have received assurances that they won't lose money, but the data supporting those assurances is unclear.
- OSU doesn't use City utilities, and buying up the targeted area will cause Stillwater to lose money in the short term. OSU has said that Stillwater can bid to serve OSU when bids are next tendered, but without a guarantee of winning – a guarantee that's impossible for OSU, if it's a state-supported institution, to give – Stillwater will lose funding in the long term as well.
- When the construction is over, the short-term job-related benefits will cease. Tourism is highly dependent on football and men's basketball, and those facilities are already largely completed. Increasing tourism by using the new facilities to host future athletic events is

a hope that doesn't often translate into reality – as the manager of any Olympic athletics village will confirm.

For at least these reasons, it would be wise for the Regents not only to ask OSU to see its economic development figures, but also to request other appraisals of the economic development costs and benefits. Although OSU's own Economics Department is a highly respected source of targeted economic data, its calculations might be seen as biased. At least 50 independent consultants and their expertise are listed on the web site of Minnesota Implan Group, Inc.

Examining both the specific economic development benefits and the assumptions that go into those calculations is vital. As mentioned previously, this information would be required to legally justify OSU's use of eminent domain. Further, promising economic development benefits that don't occur could leave OSU open to lawsuits and further damage OSU's relationships with the Stillwater community. When the economic development data will be subject to this much scrutiny, it's to OSU's benefit to be as specific, open, and careful as possible in its estimates and promises.

Athletic success, alumni giving, and investments: Even though “everybody knows” that athletic success translates into increased alumni giving, this relationship has been studied only in part, and the studies don't provide consistent hard evidence for a relationship between athletics success and increased alumni giving.

Cornell University professor Robert H. Frank completed one study for the Knight Foundation Commission on Intercollegiate Athletics in May of 2004 (http://www.knightfdn.org/default.asp?story=athletics/reports/2004_frankreport/index.html). His study contains an excellent review and summary of the previous literature on the subject. His conclusion is that indirect effects of athletic success, if any, are small and transitory.

“The Sports Imperative in America's Research Universities,” a November 2003 report by John Lombardi *et al.* was published by The Center at the University of Florida (<http://thecenter.ufl.edu/TheSportsImperative.pdf>). Breaking into the top 75 in this ranking was previously listed as one of OSU's strategic goals. This report confirms that athletics success doesn't necessarily translate into alumni giving for athletics, and athletics success certainly doesn't encourage alumni giving for academics.

These reports and many others also confirm what every OSU Cowboy fan knows: athletics play an important role at a university. However, the relationship between investments in athletics and future support for athletics – not to mention academics – isn't firmly established. OSU will depend heavily on alumni giving to support OSU athletics at a much higher level after these facilities are built. How confident is OSU that its actions will increase alumni pride and gifts?

Finally, this \$165 million gift is given in the assumption that good facilities make a good athletics program. Another report, commissioned by the NCAA and completed in August 2003 by Sebago Associates, looks at the empirical effects of athletic programs (<http://www.ncaa.org/databases/baselineStudy/baseline.pdf>). This study doesn't take into effect capital expenses, such as the facilities OSU shows in its current Master Plan. However, it does

examine the success of Division IA athletics programs in relation to the size of their athletics operating budgets. It concludes that increased operating budgets aren't associated with a higher increase in winning programs. Further, it shows that an institution's winning percentage, regardless of budget, doesn't persist over the long term.

This report presents an important caution to anyone who believes that OSU's long-term athletic success depends on facilities. Even if OSU were to have the absolute best facilities in the NCAA and had an operating budget of the magnitude required to support them, OSU athletics programs may well not be any more successful athletically than they are today. However, OSU would certainly have spent a great deal of money to make that happen, while allowing its academic priorities and programs to languish.

That's why any decisions about the wisest use of this gift –where the athletics village is located, what relationships OSU will sacrifice in order to make that happen, whether the current leadership has enough skill to bring OSU through this time successfully, and how OSU will justify its current and future actions to its constituents and to courts – must be considered carefully.

Conclusion: OSU's plan for using this \$165 million must depend on solid, quantifiable information. This information should be shared openly, questioned carefully, and considered thoughtfully and thoroughly. The data regarding economic development may need to withstand legal scrutiny. The assumption that better athletics programs equate to increased alumni giving is not confirmed by studies. Future OSU budgets – both athletic and academic -- will depend on ongoing large increases in alumni giving. Before any further land purchase or construction, OSU must make its data widely available to help inform the Regents' decision.

OSU's Master Plan: Strategic Issues

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