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TO: FILE
FROM: ANDY SCHWARZ
SUBJECT: PRELIMINARY ASSESSMENT OF THE ECONOMICS OF UC-DAVIS EQUESTRIAN AND COLLEGIATE CONSULTING'S ANALYSIS.
DATE: APRIL 24, 2026

INTRODUCTION

One fundamental principle that links accounting standards with the actual underlying economics of transactions is the “matching principle” which says that it is essential that expenses that flow from the same conduct that generates revenues be matched up with those revenues. But at its core, the standard “NCAA” accounting system requires *disconnection* between the actual cash flow benefits/costs of activities and the required accounting treatment. The result of this disconnect is that many expense line items float untethered from the related revenues they generate.

One very basic example of this problem is the athletic scholarship expense. When an athlete attends UC-Davis on a 5% scholarship, this means they are paying UC-Davis 95% of the full price they would be charged without that scholarship assistance. Given that the typical UC-Davis student receives more than a 5% discount, this transaction is generating more cash for the university than if the enrollment slot had gone to the average student. But as required by the NCAA’s system, UC-Davis must record the 5% discount as an expense for the athletic department, but may not record the payment of tuition (at 95% of list price) as athletic department revenue. For athletes receiving 100% scholarship, such as is typical in football or basketball, the omission of revenue is not important (though there may be other reasons why recording the expense at list price may be wrong). But in sports where the average athlete is receiving less than a 50% grant-in-aid, the failure to match revenues with recorded expenses dramatically skews the financial picture presented by the biased accounting, in the sense that there is a fundamental error that goes in one direction, overstating net outflows.

As a result, if one is interested in understanding what a given sport costs the university, it's important to look at the net expense (after accounting for matching revenues, if any), rather than gross expenses.

As will be seen below, this is critical for assessing two of the UC-Davis equestrian team's expense items: athletic aid (scholarships) and equipment (as relates to the team's horses themselves). The former expense is overstated because it fails to recognize the corresponding revenue attributable to those expenses. The latter should be zeroed out entirely, because the expense is perfectly offset by the in-kind revenue the school recognizes to reflect that the horses are not actually an expense at all, but rather simply a zero-cost, zero-interest loan.

A related issue comes from when athletic department expense items correspond with revenues for other parts of the university. This relates primarily to an element of "other expense" related to boarding fees. Obviously, the care and feeding of a horse costs money, but as it stands, the value that UC-Davis athletics records for that expense is not the actual cost to the university of those expenses, but rather simply the list price charged by UC Davis Campus Recreation for the services it provides. The actual cost, which is likely lower, should be reflected in any assessment of the sport's costs; use of the transfer price will only be right if the recreation department is charging athletics its direct, marginal cost. These points are discussed in more detail below and in the accompanying spreadsheets.

1. COLLEGIATE CONSULTING OVER-ESTIMATES TEAM OPERATING EXPENSE

- In-kind Contributions represent the value of donations such as automobiles or equipment to the team and the NCAA Membership Financial Reporting System (MFRS) instructs to "offset in-kind values in the appropriate expense category."¹ For the FY2024, the Equestrian team reported \$665,000 in in-kind contribution representing the market value of its donated horses. Per the NCAA instruction, one would need to deduct \$665,000 from the reported

¹ Any firm with experience in analysis of NCAA financial reporting data would know this. To the extent this was unknown, that speaks to a lack of relevant experience with these sorts of data.

equipment expenses. Operating Expense calculated by Collegiate Counseling fails to account for this internal-transfer, resulting in overstating the expense by \$655,000. Our analysis removes that overstatement.

- According to “Financial Status & Budget Plan: Strategic Reduction Planning” presentation, the Equestrian team pays \$175,000 to \$200,000 in boarding costs to the school’s Equestrian center. This is another internal transfer where the “expense” item burdened by the team is a revenue item for the school. The Equestrian team reported zero dollars for “Athletic Facilities Debt Services, Lease and rental Fees” in the 2024 MFRS. However, as in the previous years, the team reported one of the highest “Other operating Expenses” across all sports. We assume for the purpose of this analysis that the “Other Operating Expenses” include the rental payments to the school’s Equestrian center.
 - Similar to its treatment of In-kind contributions, Collegiate Counseling did not remove the rental fees from its Operating Expense calculation.
- According to the FY2024 MFRS report, which Collegiate Counseling also relied upon, the total value of “Direct Overhead Cost” for FY2024 was \$168,703. However, Collegiate Counseling reported and used the value of \$168,773 as “Admin” cost in its calculation of total operating expenses. While the \$70 difference does not have a qualitative impact, we make the correction in our analysis.
- In sum, correcting for the three errors listed above, the Collegiate Counseling over-estimated the true Operating Expense by over 120% or by over \$850,000.

2. APPROPRIATE ADJUSTMENTS TO OPERATING EXPENSES SHOW THAT EQUESTRIAN DOES NOT LOSE MONEY.

- “Financial Status & Budget Plan: Strategic Reduction Planning” presentation shows that Equestrian “has the 2nd highest operating budget among sports, behind football” and the “budget reduction scenario” document dated March 2025 shows “Expenses for equestrian continue to increase rapidly and are far greater than other sports on a per student-athlete basis.” The claim that Equestrian is one of the more expensive sports to operate is an erroneous interpretation of the MFRS numbers that does not account for the necessary internal transfer adjustments.
- While Collegiate Consulting analysis, as laid out above, does lead to the erroneous conclusion that Equestrian’s 2024 total operating expense was second highest behind football and its 2024 operating expense per participating athlete was fourth highest per-athlete behind football,

men basketball, and women's basketball, this conclusion is the result of the errors listed above, as well as other fundamental misunderstandings of the linkage between UC-Davis's accounting and the true economic costs of benefits of each sport to UC-Davis as a whole. Below we explain the adjustments and report the aggregate impacts to the "operating expense per participating athlete" metric for Equestrian vis-avis UC-Davis's other sports.

- First, the adjustments to Op Ex for in-kind contributions and Equestrian center rental fees per our discussion above drop the per-athlete spending to 7th after women's golf and baseball. The overall operating expenditure ranking for Equestrian drops to 4th after Football, Men's Basketball and Baseball.
- Second, the "Direct Overhead" cost for the Equestrian team is more than 45 times larger than the average of the team's cost from 2019-2023 and 2025 and the cost for Equestrian is more than 11 times larger than the average of the rest of the sports for 2024. We assume this as an outlier: it either represents an unusual one-time expense that would not repeat and thus is not a true savings or reflects a decision to allocate fixed costs to the equestrian team (and given the nature of fixed costs, cutting Equestrian would merely require those same costs to be assigned elsewhere).
 - Instead, we assume that Equestrian in a typical year would likely face a "Direct Overhead" cost similar to that of all the other teams. Adding this change further drops the per-athlete expenditure rank to 11th.
- Third, Operating Expense calculation (as calculated by Collegiate Counseling and relied upon in the CFO presentation and document) does not include head coach and assistant coach salaries. While the exclusion of coaching salaries may be ok in some instances, if the focus on the analysis is to determine how much a given sport costs UC-Davis, excluding coaching salaries is a very biased approach, which predictably will understate the cost of certain sports (especially football and basketball) relative to others such as Equestrian. For the purpose of comparing across sports, we include coaching salaries. This additional correction brings the Equestrian per-athlete ranking to 15th.
- Fourth, as explained above, scholarship expenses need to be adjusted for revenues received by athletes. The expenses generated by giving scholarships are specifically linked to the tuition revenue those same athletes pay, and because different sports

provide different levels of aid per athlete, omitting the revenue portion dramatically biases any analysis of the net cost to UC-Davis, favoring sports such as football and basketball (but also women's tennis, volleyball and gymnastics) to the detriment of sports like Equestrian.

- For example, in men's basketball where most of the participants are on a full scholarship (UC-Davis doled out 12.91 grants-in-aid across 15 participants in 2024) the school effectively received tuition from only 2.09 men's basketball athletes.
- However, in Equestrian, athletic aid totaled 5.13 equivalencies for its 41 participants, tuition revenue from 35.87 athletes need to offset the scholarship costs. This means that the Equestrian team as a whole is paying something on the order of 17 times more to attend UC-Davis than is the men's basketball team.²
- Once we recognize the large aggregate tuition payments made by the Equestrian team as a whole, the contribution to UC-Davis's tuition revenue from having an Equestrian team is actually net positive. That is, the team's payments to the school far exceed the cost of providing athletic aid.

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² The exact calculation of the ratio requires additional information about the relative blend of in-state and out-of-state athletes, and any additional non-athletic aid provided to these athletes.