

# CHALLENGES AND BENEFITS OF COLLEGE SPORTS



UNIVERSITY SYSTEM  
*of* MARYLAND

# Who Are We?

“Represent the athletic departments, the programs, and the student-athletes of the 130 universities that comprise the NCAA Division I Football Subdivision (FBS).”

The logo for the LEAD1 Association is displayed within a white rectangular box. The word "LEAD1" is rendered in a large, bold, black sans-serif font. Below it, the word "ASSOCIATION" is written in a smaller, all-caps, grey sans-serif font. A thick, dark grey horizontal bar is positioned at the bottom right of the logo, starting under the letter 'N' and extending to the right edge of the box.

**LEAD1**  
ASSOCIATION



# CHALLENGES



# Future of Football (Key Cash Cow for College Sports)

- NCAA
  - *43 concussion lawsuits*
  - *\$75 million in settlements to date*
- Boston University study – 202 donated football brains
  - *111 NFL – 110 with CTE*
  - *53 college – 48 with CTE*
- Youth participation falling
  - *Pop Warner – 9.5% drop between 2010-2012*
- Research/Helmet Technology/Rules
  - *Hitting, safety protocols, etc.*
  - *Reduces risks, but also exposes risks*



Photo Credit: upr.org

# Threats Against Football

- *Football's Employment is on a Fade Pattern*
  - *Washington Post*, 9/1/17
- *The Football Industrial Complex is in Big Trouble*
  - *Fortune.com*, 9/7/17
- *The Uncertain Future of High School Football in America*
  - *Wall Street Journal*, 9/7/17
- *Playing Football Before 12 is Tied to Brain Problems Later*
  - *New York Times*, 9/19/17



# Academics

- Good News

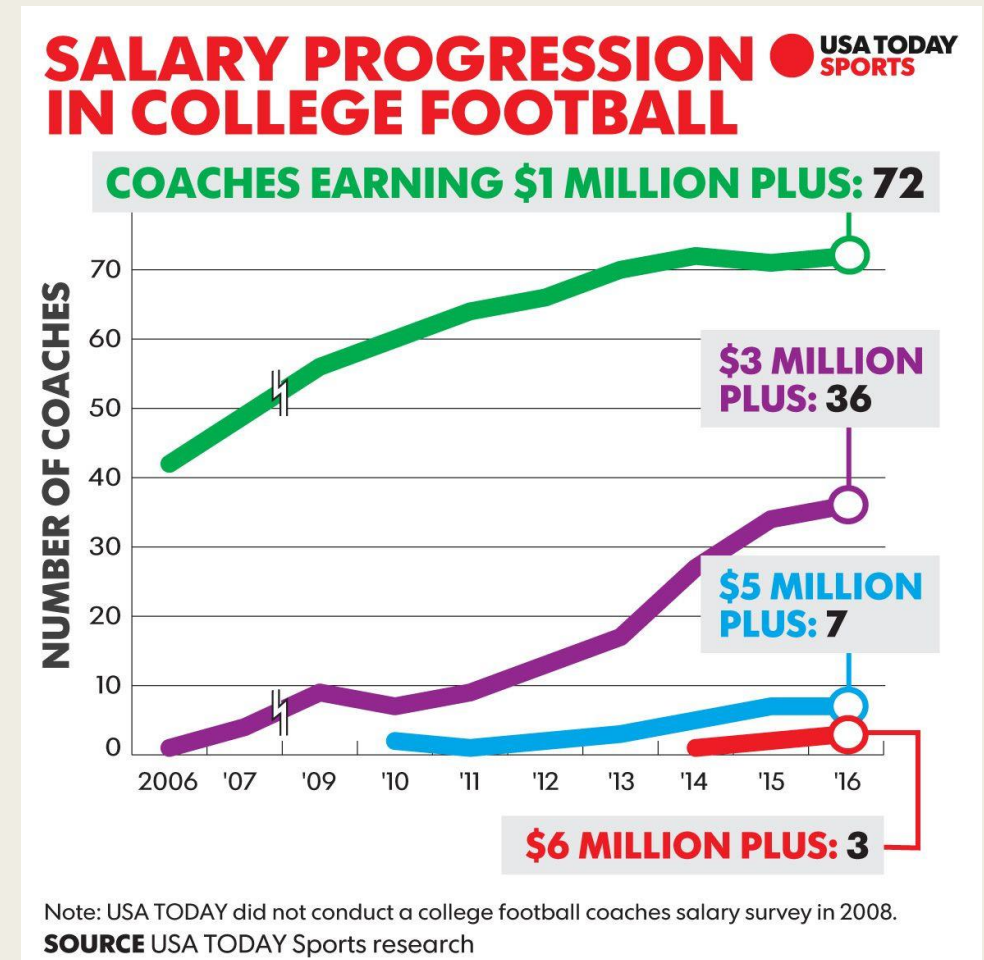
- *Record-high 87 percent Graduation Success Rate for all Division I athletes*
- *78% African-American*

- Bad News

- *Integrity issue*
- *UNC Case – 3,100 students (47.6 percent of them athletes) enrolled and received credit in phantom/paper classes*
  - Helped them remain eligible
  - NCAA no jurisdiction

# Litigation (Pay for Play – *Jenkins v. NCAA*)

- Challenges NCAA's current compensation limits
  - *Limits tethered to education (cost of attendance)*
- Losing PR war
  - *52% of American adults support current compensation limits*
  - *54% black Americans support paying college athletes (based on revenue)*
  - *80% of Americans believe big universities put money ahead of their athletes (Emmert)*
- Difficult to defend – high coaches salaries and facilities arms race
- Fundamentally change college sports



# Paying Student-Athletes – The Issue



Photo Credit: ncaa.org

- 77,000 FBS student-athletes
  - *20,000 basketball and football*
- 280 annual basketball/football draftees
- Reclassify everyone as employees – taxable income
- 2,200 Olympic sports – many will be cut
  - *\$2.5 billion investment*



# Viewership

- Live football attendance (college and NFL) declining
- Millennials (largest U.S. population group – declining interest in traditional sports)
- Many conference TV contracts come up in 2023
- Cord cutting – ESPN lost 10% of its subscribers (last three years)
- Will digital companies – Amazon, Google, Facebook, Twitter – pony up?



Photo Credit: espn.com

# State Regulations

## ■ Preemption of NCAA

### CA/CN – *The College Athlete Protection Act*

- Commission funded by schools
- Full investigative power (subpoena)
- Sets college sports rules and regulations

### PA/NY/TN – *Student Athlete Bill of Rights*

- Health and welfare

# Sports Betting



Photo Credit: time.com

- *Christie v. NCAA*
  - *The Professional and Amateur Sports Protection Act (PAPSA)*
- Three potential outcomes from the case:
  - *The Court does nothing and current law will stand*
  - *The Court overturns PAPSA and allows each state to decide – consequential for college sports*
  - *The Court provides an exemption for New Jersey to permit sports betting*

# If PAPSA is overturned...

- 21-37 states will offer legal sports betting in 5-7 years\*
  - *Generating \$2-5.8 billion in state revenue\**
- Size of current market
  - *Legal: \$2.8 billion (Nevada\*\*)*
  - *Illegal: \$380 billion (USA\*\*)*
- Regulatory structure and enforcement critical

\* Gambling Compliance, 2017

\*\*National Gambling Impact Study Commission (NGISC)



Photo Credit: washingtonpost.com

# Tax Reform



Photo Credit: usatoday.com

- Four main proposals that would hurt college sports:
  - *20% tax on compensation to any employee making > \$1 million*
  - *Eliminate the tax deduction for season ticket holders (the “80 Percent Rule”)*
  - *Forbid tax-free bonds on state/local construction projects of athletic facilities*
  - *Tax on royalties and unrelated business income*
- Potentially hundreds of millions of dollars in impact

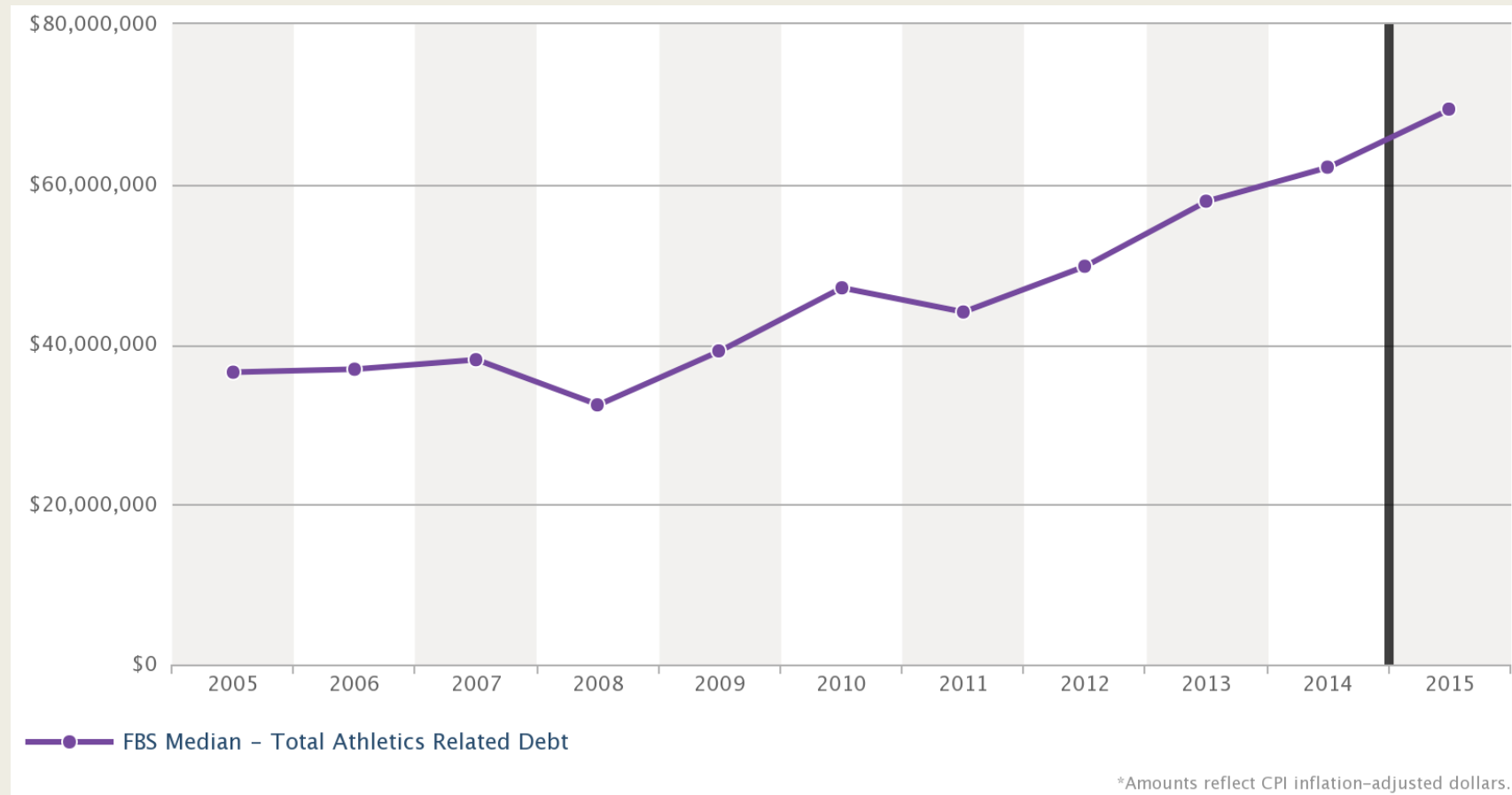


# Financial Unsustainability

- 24 FBS schools self sufficient – no subsidies
- Subsidies (institutional, student fees, government):
  - 56% of revenue for G5\* schools (\$1.1 billion)
  - 4% for Power Five
- Athletics debt balance grows (see next slide)

\*Group of 5 (FBS smaller programs)

# Total FBS Athletics Related Debt



# FBI Investigation – College Basketball



Photo Credit: npr.org

- Black market payoffs to men's basketball assistant coaches, involving Adidas and money managers
- Potentially federally criminalizes NCAA violations (bribery)
- Expose weaknesses of non-government SRO model – no subpoena power – punish athletes
- Reforms – One and Done Rule, AAU tournaments





BENEFITS



# Benefits

- Roughly \$2.9 billion in scholarships annually NCAA.org
  - *Second only to G.I. Bill*
- Debt-free education
- Other – leadership skills, training, job placement, etc.
- U.S. Olympic Development:
  - *2,200 Olympic sports*
  - *\$2.5 billion investment*



Photo Credit: temple.edu

# Regent Oversight – Potential High Risks Ahead

- Special admits and admissions policies
  - *Tracking these student-athletes*
- Academic majors of student-athletes
- Time demands for sports participation
- Highly compensated employees contracts and buyouts
  - *More than \$60 million in FBS football college coaching buyouts*
- Annual giving compared to projection
- Title IX and other federal regulations
- Capital spending
- Risk assessment – sensitivity analysis

The image features two large, thick, black L-shaped brackets. One is positioned on the left side, with its vertical leg extending downwards and its horizontal leg extending to the right. The other is on the right side, with its vertical leg extending upwards and its horizontal leg extending to the left. These brackets frame the central text.

QUESTIONS?