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).”
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
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

![Salaries Progression in College Football](chart.png)

Note: USA TODAY did not conduct a college football coaches salary survey in 2008. 
SOURCE USA TODAY Sports research
Paying Student-Athletes – The Issue

- 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

Photo Credit: ncaa.org
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?
State Regulations

- Preemption of NCAA

<table>
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<tr>
<th>CA/CN – The College Athlete Protection Act</th>
<th>PA/NY/TN – Student Athlete Bill of Rights</th>
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<tbody>
<tr>
<td>• Commission funded by schools</td>
<td>• Health and welfare</td>
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<td>• Full investigative power (subpoena)</td>
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<td>• Sets college sports rules and regulations</td>
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Sports Betting

- 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

Photo Credit: time.com
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)
Tax Reform

- 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

Developed from Knight Commission on Intercollegiate Athletics Athletic & Academic Spending Database
FBI Investigation – College Basketball

- 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

Photo Credit: npr.org
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

* NCAA.org
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
QUESTIONS?