

THE ETHICALITY AND FINANCIAL IMPACT OF PAYING COLLEGIATE  
ATHLETES

by  
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## ABSTRACT

The purpose of this study is to explain why collegiate athletes should be paid and the financial impact of paying them. The study looks at how the NCAA's student-athlete model has exploited collegiate athletes and denied them from receiving a share of the revenues they generate each year. It includes the reasons for paying players, and the troubles athletes go through because of the way the NCAA is orchestrated. The goal is to determine the financial effect of paying athletes across the NCAA, as well as by divisions and conferences. Additionally, the financial statements of the NCAA and some of its Division I schools were analyzed to determine discrepancies and weaknesses in the reporting process that misinform the public on the state of most athletic departments. The study focuses on Division I athletic departments, as well as football, men's basketball, and women's basketball players. Through financial databases, interviews, and court cases, the study aims to identify the problems with the current NCAA system while addressing the financial impact of paying collegiate athletes.

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## CHAPTER 1: INTRODUCTION

The question of whether or not to pay collegiate athletes has been debated for many years. NCAA officials and university administrators alike have vouched that the current collegiate model is sufficiently acceptable. To change that model by adding financial compensation for athletes would go against the rudimentary philosophy of the NCAA. The defendants of the NCAA consistently recite amateurism as one of the core ideas behind why athletes do not deserve to be paid. In actuality though, the list of reasons why athletes *should not* be paid is resoundingly brief. The reality is that a pivotal question remains unanswered by NCAA officials. Why *should* athletes be paid? The list of answers to this question far outweighs the list of answers to the contrary. The NCAA states that only 1.6% of football players, 1.2% of men's basketball players, and 0.9% of women's basketball players will play professionally. The idea that college athletes will eventually reap the monetary benefits of their athletic abilities by turning pro is false. The odds of making it as a professional athlete are miniscule, and for most athletes the monetary benefits of playing sports can only be obtained while in college. This issue has become relevant due to the amount of money the NCAA and Division I universities have increasingly generated through collegiate athletics. The industry has become a powerhouse that rivals the professional leagues and shows no signs of slowing down anytime soon. The financial impact of paying players is undoubtedly a difficult dilemma to explore, but nonetheless is a quandary worthy of consideration.

## CHAPTER 2: THE ORIGIN OF THE NCAA

### *Amateurism*

To understand the financial problems facing college athletes, one must first comprehend the fallacy of the NCAA. The National Collegiate Athletic Association was founded in 1906 due to the emergence of the dangerous sport known today as football. In 1905 eighteen college and amateur players died while playing the sport and the NCAA looked to lead the charge of regulating football in order to ensure the survival of the sport. Even in its origin the association was derived mainly for protection of players' rights and safety, not to promote amateurism. When taking a look at the structure of the NCAA today, that very ideology has been reversed.

The 1916 bylaws defined an amateur as "one who participates in competitive physical sports only for the pleasure, and the physical, mental, moral, and social benefits directly derived therefrom." The love of the game is undoubtedly what drives all athletes, but high school players are also severely motivated by the thought of receiving an athletic scholarship from their favorite schools. If NBA superstars were not making millions of dollars, they would undoubtedly still play basketball; but the problem is, the only distinction between an amateur and a professional is compensation. NCAA President Mark Emmert has persistently stated that there is no possibility of the association ever condoning paying players. Simply put, it violates the "core values" of collegiate athletics.

The following is an excerpt from a 2011 interview between former NCAA President Myles Brand, bolded, and *Sports Illustrated* columnist Michael Rosenberg:

**"They can't be paid."**

"Why?"

**"Because they're amateurs."**

"What makes them amateurs?"

**"Well, they can't be paid."**

"Why not?"

**"Because they're amateurs."**

Who decided they are amateurs?

**"We did."**

"Why?"

The reason why student-athletes are still deemed amateurs is even unexplainable by the same people that run the NCAA. A group of college friends playing pickup basketball on a Saturday is correctly defined as an amateur sporting event. However, college athletes that play in front of thousands of ticket purchasing fans is not amateurism; instead, this is called taking advantage of the system. A longtime critic of the NCAA, Taylor Branch, explained this best in an article published by *The Atlantic*:

I don't doubt that people care about athletes, but if you care about somebody, deal first with their rights. Imagine this: suppose the university was to say we're going to have amateurism for all the students on our campus, so we can be consistent.

And that means that you can't get a job at the campus bookstore if you're an



undergraduate, you can't be paid as a teaching assistant if you're a graduate student. You're an amateur (Branch).

When analyzed from the perspective of a regular college student, it would be confounding for an English major at the University of Mississippi to be expelled from school for receiving money from a book he or she published. For college athletes, though, following this amateur code ultimately determines eligibility.

The Olympics were originated as a form of “amateur” athletics and it was not until the 1970s that professionals were allowed to compete in the games. Olympic athletes before this time would not meet the NCAA’s definition of an amateur. Early Greek Olympic athletes did not train their entire lives for only a laurel wreath, but instead for the prize, property, and women they were given after the games. Even back in 600 B.C., “a winning athlete from Athens was given 500 drachma, an enormous sum - enough that he could theoretically live off of it for the rest of his life” (Cronin). If the Olympics have been able to outlast the controversy of paying athletes, then why can’t the NCAA do the same?

### *Walter Byers*

In 1951 the NCAA took control of intercollegiate athletics. Walter Byers, a journalist, was named executive director of the association. During this time the NCAA saw television contracts as a threat to college sports due to the contracts causing potential catastrophic decline in live-game attendance. Byers used this risk, as an opportunity to regulate the market and make the NCAA in charge of orchestrating television deals with providers in order to restrict which games would be broadcast. As times passed he was

able to negotiate a five percent cut of all television deals to be paid to the NCAA. The biggest contribution Walter Byers made to the NCAA was the invention of the term student-athlete. The term was crafted after Byers consulted with lawyers on how to defend the NCAA and its schools against the increasing number of workers' compensation lawsuits that were being filed due to injuries and even deaths caused from playing collegiate football. Byers himself stated, "The colleges are scared to death at the prospect of having their athletes identified as employees and therefore subject to workman's comp. I had our law firm do major research on this issue. Our law firm, they say, rely on the old amateur rule to say: look, these are students first and athletes second. These are 'student athletes,' and they are working at their professional training as a student and, therefore, are not subject to workman's comp" (*Schooled: The price of college sports*). The term student-athlete is a conundrum within itself. The word student-athlete means that college players are not merely students, nor are they just athletes who play in college. The fact that they are the best athletes high schools have to offer means they can be accepted at a university, without achieving the school's academic standards enforced on other student applicants; and that because they are also deemed as high school students, they do not have to be compensated any further than a scholarship. This became the NCAA's signature term, and although seemingly harmless at the time, it would be used as a defense in many lawsuits to come.

Kent Waldrep was a star running back for the 1974 Texas Christian University football team. In an October game against Alabama, Waldrep suffered a career-ending neck injury that paralyzed him from the neck down. TCU refused to pay anymore of his medical bills after nine months, forcing him to look for public donations to cover the

cost. He filed a lawsuit stating that TCU had violated his worker compensation rights. His lawyers arbitrated with the state insurance fund over how his time at the university constituted employment and that he should have access to workers' compensation benefits due to his "job" with the football team. The court ruled that he was not an employee due to the fact that he did not have to pay taxes on his financial aid and, therefore, forfeited any workers' compensation rights. Keep in mind that the NCAA is a tax-free not-for-profit entity. The school used the term student-athlete to vindicate how the university did not employ Waldrep even though his scholarship was for athletic purposes. The case foreshadowed how the NCAA and its schools as a legalistic defense and shield from other impending lawsuits could use the carefully constructed term.

*Students first, Athletes second*

The NCAA, for many years, has lauded that its collegiate athletics participants are students first and athletes second. The belief is that they are awarded athletic scholarships in exchange for the chance at receiving a priceless education, and any achievements on the field are deemed residual. The NCAA reports the graduation rates of its student-athletes using their Graduation Success Rate module. The GSR accounts for all first-time degree seeking students, as well as transfer students that obtain a degree within six years of starting college, while also accounting for student-athletes who transfer out to another school to obtain a degree or turn pro. The GSR currently sits at eighty four percent, which is nineteen percentage points higher than the federal graduation rate of all Division I students (NCAA). Although these statistics show that more athletes obtain degrees in comparison to regular students, the federal measure graduation rate of athletes, which

does not account for transfers out and athletes who turn pro, is only one percentage point higher than that of regular students (NCAA). The problem though is not graduation rates; it is that most Division I schools are more concerned with an athlete's eligibility, rather than his or her education. Now this is not to say that schools don't value education; but, for an athlete, it's hard to say that education comes before athletics when the amount of time spent doing team activities significantly outweighs the time spent in the classroom.

Each year every NCAA athlete is required to sign a renewed contract with the NCAA stating they will oblige to all rules governing them. Their athletic scholarships are dependent upon this agreement. While they must follow the NCAA rules, their scholarships are also contingent upon other things and renewed on a year-by-year basis. An athlete's education is reliant on this one-year scholarship. For many players, their athletic performance on the field carries far more weight than their performance in the classroom. Each year schools have the option to terminate or renew each athletic scholarship. The setback to this is that an athlete's poor performance on the field can ultimately mean loss of scholarship.

Winning is the ultimate goal of playing sports. In order to win you need players who are eligible to participate. The motto "C's get degrees" rings truest with college athletes. Domonique Foxworth, a member of the 2002-2004 Maryland Terrapin football team, said it best, "I knew it was more valuable to my school that I get a C on an exam and an interception on Saturday, then it was that I get straight A's and get no interceptions on Saturday. That doesn't bring in boosters and that doesn't bring in fans to fill the stadium." This problem stems from schools admitting academically unprepared athletes and then trying their best to keep these athletes eligible. In 2010 the University of

North Carolina found themselves caught up in an academic fraud scandal. For the past 18 years an estimated 3100 students had enrolled in so called “paper classes” (Ganim and Sayers). This meant that many athletes had been enrolled in classes that required no attendance or meetings with a professor and the only grade was a paper. Many of these athletes then reached out to tutors to help them complete the assignment. The classes were listed as African American Independent Study courses and many of UNC’s academic advisors termed them “GPA boosters.” For example, an early-enrolled football player could have a 1.4 GPA in the spring and then take three paper classes over the summer, receiving A’s in all of them, which would in turn boost his GPA to 3.0 and keep him eligible for the upcoming football season. This is not just a UNC problem, but also a problem for top athletic schools around the country. Money is powerful and drives a multitude of decisions. Winning games brings in large amounts of revenue, and schools will jump through hoops to keep top athletes eligible rather than actually teaching athletes and providing them with real learning experiences. For athletic departments and teams, money and winning are given top priority over education. A college education in exchange for an athletic scholarship is priceless; but one of the biggest fallacies in collegiate athletics is the belief that a true and meaningful education is actually provided. The NCAA states that ninety eight percent of collegiate athletes will turn pro in something other than sports. With that being the case, athletes need a proper education to prepare them for their future professions. When the NCAA and its schools don’t keep their end of the offer, they are taking advantage of an athlete’s physical abilities and providing them with scholarships that in turn offer no educational benefit.

## CHAPTER 3: THE NCAA IS BIG BUSINESS

### *Salaries*

The NCAA's annual revenue has increased yearly since 2000, making it one of the most stable organizations in the United States (Alesia). In 2014 alone the NCAA listed its total revenue at \$989,029,512. College athletes receive none of this money, but for coaches and athletic directors, the monetary benefits are endless. There are currently 128 NCAA Division I head football coaches. In 2014, the average salary for a Division I head football coach was \$1.75 million and this same figure jumps up to \$3.85 million when taking only into account the top twenty-five highest paid coaches (Baumbach). According to a study by *USA Today*, the average athletic director's salary was \$515,000 in 2012. Many of the top grossing universities also have incentives in place where the school's athletic director can make upwards of one million dollars. These figures are alarming because, according to a 2013 *Chronicle of Higher Education* survey, the average salary of a public university president was \$478,896. The NCAA states that collegiate athletes are students first and athletes second, but the salary data show otherwise. How can this be the case when a Division I football coach makes on average over \$500,000 more than the president at the same university? The highest paid state employee in 40 of the 50 states is not the governor or any other state official, but instead is the head football or basketball coach at the state's university.

Nick Saban, the head football coach of the Alabama Crimson Tide, made \$7,160,187 last year (*USA Today*). July Bonner, the university's president, made only \$585,000 last year (Brown). The salary gap has grown more and more each year and puts into question what universities value. This data suggests that the NCAA and its universities are sending mixed signals to Division I football players. Although players are told they are "students first, athletes second," the salary gap does not follow that same logic.

#### *TV Contracts, Ticket Sales, Sponsorships, and Donations*

The original source of NCAA revenue came from TV contracts. As stated previously, Walter Byers originally regulated what games could be broadcast on national television in order to keep fans in the stadium and not watching from their living rooms. With the growth in technology and fan base, the NCAA and its member schools have been able to generate hundreds of millions of dollars from selling broadcasting rights to games. The Power Five conferences include the ACC, SEC, Big XII, Pac-12, and Big Ten. Together, these conferences brought in over \$1.1 billion this past year from network TV partners alone (Smith). The SEC currently has TV contracts with both CBS and ESPN. After the launch of the SEC Network, the conference will pull in \$400 million per year from its combined deals, which comes out to about \$28.5 million per school (Glass). The agreement was for 20 years. Another large contract was signed in 2012 by ESPN for the rights to broadcast the College Football Playoff starting in 2014. The contract was for \$5.64 billion over 12 years, with ESPN paying the NCAA a projected \$470 million annually (Bachman). This means that the conferences represented will receive even larger

amounts of money if their teams make it into the playoff. To say that the financial market of college athletics is healthy would be an understatement.

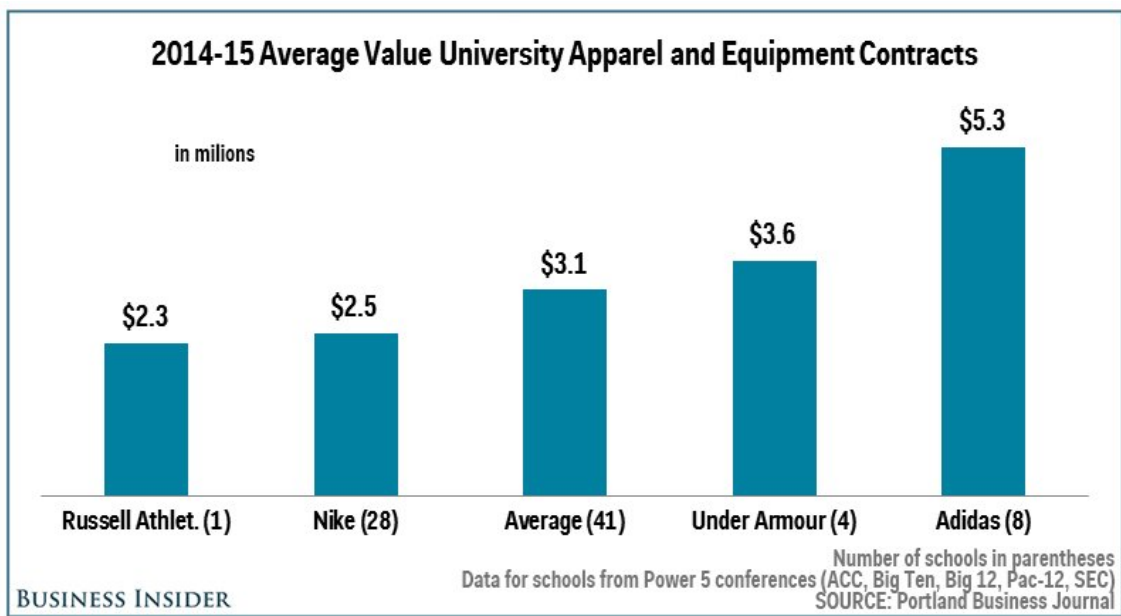
While TV contracts generate vast sums of money, they are second to ticket sales in the amount of revenue generated. Louisiana State University, the home of Death Valley, generated \$38.9 million in ticket sales in 2014 (Gaines). They ranked 8<sup>th</sup> on the list of total athletic revenue last year with \$117.5 million. Roughly thirty three percent of the school's athletic revenue came from the sell of tickets alone. LSU fans pay lots of money each year to watch the school's athletes compete on the field. LSU versus Alabama ranked 3<sup>rd</sup> on the list of highest football ticket prices per game in 2014, with an average ticket price of \$639 (Stankevitz). The seating capacity at Death Valley, the school's football stadium, is 102,321. The fact is that the amount of money generated from this game is made possible due to the combined 170 players on the field. Without these players, the surge in not only revenue for tickets, but also the economic benefit for the city of Baton Rouge, would not be possible.

In 2010 ESPN conducted a fan poll to determine the popularity of U.S. sports leagues. NCAA football finished second, trailing only the NFL, with more than 64 million fans. Large apparel companies have taken notice to this trend and are looking to market their brand name all across college football. When mentioning Oregon football, the first thing that comes to mind is not the players or the stadium the football team plays in, but the Nike uniforms worn on the field. All NCAA football teams wear uniforms, but none are more revered than the ones worn by the Oregon Ducks. So why do the Oregon Ducks wear such outlandish uniforms? First, they are a recruiting advantage used to help try to sign the nation's top high school players. Second, Nike founder and Oregon alum



Phil Knight pays the school a lot of money to wear them. Oregon receives \$600,000 a year in cash, \$2.2 million in equipment, and \$185,000 in discretionary apparel, mostly worn by coaches and the athletic department (Kish). For a company like Nike, this small investment is miniscule in comparison to the revenue generated from its NCAA licensed products sold to consumers. Marcus Mariota, this year’s Heisman Trophy winner, wears number 8 for the Oregon football team. Nike sold replicas of his NCAA Championship jersey for \$160, removing his last name from above the number in accordance with NCAA licensing agreements. Mariota received a grand total of zero dollars from the sale of this merchandise. At the same time the NCAA and Nike reaped the financial benefits made possible by Mariota’s athletic abilities.

**Table 3-1: Apparel and Equipment Contracts**



According to data collected by the *Portland Business Journal* (Table 3-1), Nike is not the only apparel juggernaut paying universities to wear their products. Adidas paid an

average of \$5.3 million per contract to Power Five conference schools (ACC, Big Ten, Big XII, Pac-12, SEC) for wearing their products. The Michigan athletic department led the nation and the list with an \$8.2 million contract from Adidas.

Sonny Vaccaro is often cited as the catalyst that ignited the commercialism of collegiate sports in the 1980s. Vaccaro was a sports marketing executive who approached Phil Knight in 1979 about the idea of paying college basketball coaches in exchange for their team's players wearing exclusively Nike shoes. What started out as five to fifteen thousand dollars a year eventually grew to over one hundred thousand dollars in compensation to top college coaches. This all changed in 1987 when Nike signed the first all-sports deal with the University of Miami. Vaccaro called Phil Knight after the deal and said, "This is it, we hit the motherload. Now we own the school." Nike, in other words, was now the exclusively licensed brand sold at the bookstore. This meant that every jersey sold and all official Miami Hurricane sports apparel had the Nike logo on it. Vaccaro stumbled upon a gold mine in college athletics, and had set the standard for all apparel and licensing agreements to come.

Donations account for another large portion of most Division I schools athletic department's revenue. The Ole Miss Athletic Foundation requires donations for priority seats in the football, basketball, and baseball stadiums. The foundation's membership contributions totaled \$31,213,404 in 2014 (Appendix A). The contributions are broken down into restricted and unrestricted revenues. Restricted revenues mean that the money was received with a restriction imposed by the donor that will be satisfied for a particular purpose or program or for use in a specified time period. Unrestricted contributions to the football team ranked 1<sup>st</sup> with roughly \$11 million, while the basketball team finished 3<sup>rd</sup>

at roughly \$850,000 (Appendix A). The foundation reported that its revenues exceed its expenses by \$12.8 million (Appendix A). Now Ole Miss currently ranks 12<sup>th</sup> in the SEC ahead of only Mississippi State and Vanderbilt in total athletic department revenue (*USA Today*), which does not have to report its earnings since it is a private institution. Overall the athletic department, which encompasses the Ole Miss Athletic Foundation, reported just over \$2 million in profit (*USA Today*). Despite being the second smallest school in the SEC, the university's athletic department was still able to turn a profit, proving that size is not always the problem when trying to stay in the black.

### *March Madness*

The crown jewel of the NCAA is its annual postseason basketball tournament. Termed March Madness by the media and fans, the tournament showcases over 680 men's basketball players. It brought in a staggering \$769.4 million of revenue in 2013, which accounted for 84% of the NCAA's total revenue that year (Alesia). March Madness is the NCAA's cash cow and it is safe to say, without it the association would not exist. The NCAA gets to keep roughly 40% of the tournament's revenue, while the remaining 60% is disbursed to the schools and conferences with teams competing in the games. In 2013 the NCAA distributed a record \$527.3 million to schools and conferences, in part, because of the large sum of money made from the tournament alone (Alesia).

In 2010, CBS and Turner Broadcasting inked a deal with the NCAA for the rights to broadcast all of the tournaments 67 games. The record-breaking deal was for \$10.8 billion that lasts until 2024 (Sandomir and Thamel). CBS will pay an average of \$771

million each year to the NCAA and in turn will have the rights to all coverage, as well as the ability to sell all commercial advertising during the games. The ability to sell TV advertising during the tournament is the reason CBS made the deal in first place.

Sponsors spent more than \$1.1 billion in 2014 buying airtime for television commercials (Gaines). This one three-week event in March and April is second only to only the NFL playoffs in terms of revenue generated from television commercial advertising.

The NCAA's basketball fund is its largest pool of money donated to schools. The fund is the only one allocated based upon each school's competitive sports success. The NCAA projected the total amount of money available for distribution in 2014 to be \$220 million. Now the NCAA wishes that this money be split up between the thirty-two conferences with teams in the tournament and not just by each school individually. While many of the larger conferences do indeed split up the earnings evenly between all schools no matter who made the tournament and who did not, some of the smaller conference's teams can achieve a revenue boost with the ability to carry that individual program for years to come. The NCAA uses a complicated formula to divide up the \$220 million, but in simple terms the money is split up evenly into 132 units (Appendix B). Will Hobson wrote an article titled "Fund and Games" for *The Washington Post* in which he discussed just how much money conferences have riding on NCAA Tournament games:

Just by making this year's tournament, a school earns its conference a projected \$1.67 million over the next six years, broken into annual payments from the NCAA that will start with \$260,500 in 2016. A run all the way to the Final Four earns five units, or an estimated \$8.33 million, which is the maximum for most teams. The NCAA stops awarding units after the national semifinals.

This means that in a worst-case scenario a conference will earn at least \$1.67 million off of one of their teams making the tournament, and in a best-case scenario \$8.33 million if the team were to make it all the way to the Final Four. For the Power Five conferences the money generated from tournament appearances is relatively small in comparison to the rest of its athletic revenue. But for smaller conferences, the tournament generates on average 35% of that conferences total revenue (Hobson). These large payouts show not only the potential financial ability to compensate players in larger conferences, but also in smaller conferences as well. The key statistic though is that the amount of money paid by the fund to the players in the tournament is zero. Sport's economist Dan Rascher expressed his discomfort with the March Madness Tournament while testifying against the NCAA in legal challenges to amateurism. He stated, "It's un-American. It's so atypical of anything else we have in this country, where we have this very successful industry, and the athletes generate a ton of value, and the money goes elsewhere." The return on investment that the NCAA generates off the players during the tournament is immense. Shabazz Napier, the point guard for last year's Champion UCONN, endured going to bed hungry at night during the season because he was unable to afford food. The sheer amount of money made off of these players during the March Madness Tournament should enable some sort of compensation to be paid to the players in order to ensure their physical well being.

### *Financial Statements*

The financial stature of the NCAA has grown year after year with revenues during the 2015 fiscal year expected to top one billion dollars. The NCAA was founded as a

non-profit, tax-exempt organization in accordance with Section 501(c)(3) of the Internal Revenue Code. This means that because the NCAA has no shareholders and is classified as a charitable organization it is not taxed on any of its yearly earnings. The same is true for its member schools. The NCAA had a total of \$707.8 million in net assets for the 2014 fiscal year (Appendix C). While the NCAA does distribute most of their revenues back into the pockets of Division I schools, they do retain some of that money. The NCAA's Consolidate Statement of Activities shows an eighty million dollar surplus for 2014. That number was sixty one million in 2013 and seventy two million in 2012. For a tax-exempt non-profit entity, those surpluses continue to pour into the NCAA's net assets balance. So what are these assets currently being held for? The NCAA calls this their crisis fund. In the event of losing TV contracts or corporate sponsors, the NCAA would dip into these reserves in order to help the association stay afloat. Mark Emmert, the president of the National Collegiate Athletic Association, has testified in court that the NCAA and its member schools do not have the financial means to account for the potential cost of compensating collegiate athletes. While at the same time, the NCAA has a "crisis fund" of over \$700 million. It is a good idea for all organizations to have back up reserves in the event of a financial crisis, but it is ethically wrong for one of healthiest leagues in all of sports to deem all of their hundreds of millions off limits to players.

The NCAA also has multimillions in investments. These investments are broken down into three different levels and are in accordance with ASC 820, *Fair Value Measurements*, which establishes a framework for measuring fair value. This framework provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The NCAA currently does not have any Level 3 investments, which

are valued based upon unobservable inputs and the entities own analysis. Level 1 investments are the most easily valued and are based on unadjusted quoted prices in active markets that are accessible at measurement date. Split up between different money market, mutual, and fixed income funds, the NCAA has a total of \$328,793,014 to date in Level 1 investments (Appendix C). After adding in its Level 2 totals, based upon observable inputs other than quoted prices, the total leaps up to \$681,314,256. This was a 14% increase from 2013. The NCAA’s financial statements show that these investments are doing quite well.

**Table 3-2: NCAA Investment Income (in millions)**

	<b>2014</b>	<b>2013</b>
Interest income	\$ 9,529,008	\$ 11,421,735
Realized gain—net	2,589,104	3,398,024
Unrealized gain—net	<u>70,153,709</u>	<u>26,578,991</u>
	<u>\$ 82,271,821</u>	<u>\$ 41,398,750</u>

*Source: 2014 NCAA Financial Statements*

Realized gains occur once a financial asset is disbursed for a profit. Although the NCAA saw a slight dip in both net realized gains and interest income in 2014, its total investment income almost doubled from the previous year (Table 3-2). Unrealized gains saw the biggest increase, but since they are only “paper profits” no monetary benefit has been received. Although much of their investment income came from unrealized gains, the NCAA has over \$250 million in alternative assets that are valued using Net Asset Value. Of these investments all but hedge funds and bank loans are able to redeemed daily. More proof that NCAA is in good health comes when analyzing its liquidity ratio. The association has a current ratio of 3.25. To put that number in perspective, technology

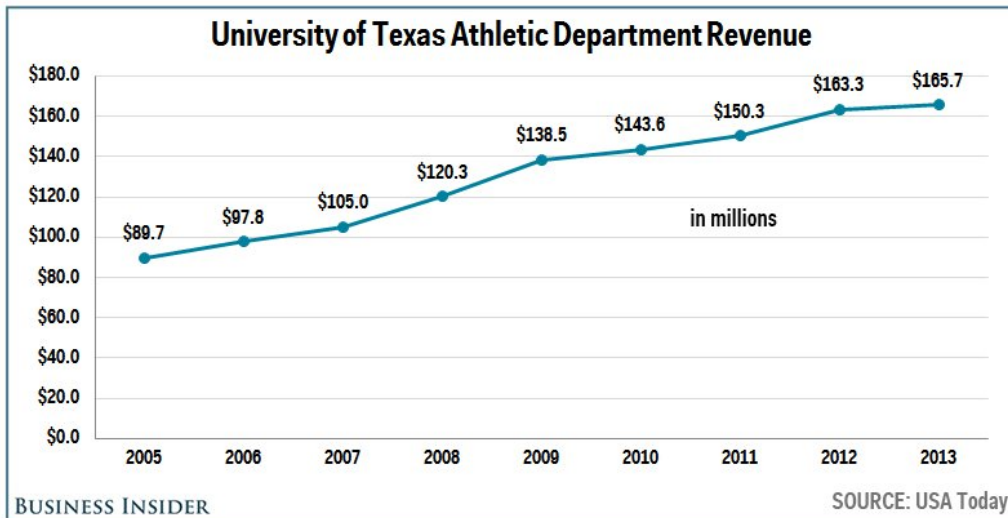
juggernaut Apple had only a ratio of 1.08. This means the NCAA has more than an adequate amount of assets available to pay its short-term liabilities. Since this number is so high, it also raises the question of what the NCAA is planning to do with all this money. As stated previously much of the association's net assets are being held in operating and endowment reserves, but a key figure is the \$88.7 million being held in their available for operations and distributions accounts (Appendix C). This number grew by 46% from 2013 and shows that the NCAA currently does not have to dip into this account in order to sustain its yearly distributions to schools. The notes to the 2014 financial statements say that, "The NCAA Executive Committee has designated certain unrestricted net assets to fund future strategic and operational initiatives. While designated for specific purposes, these designations may be modified at the discretion of the NCAA Executive Committee." This really means that the NCAA has more than \$80 million of excess spending money to use wherever they see fit. Adding this eighty million to another \$80 million surplus helps nullify the idea that there is not enough money available to compensate collegiate athletes.

*Case Study: University of Texas*

Since the dawn of the 21<sup>st</sup> Century the golden standard of collegiate athletics has been the University of Texas. No school in the past ten years has brought in more athletic revenue than the University of Texas. The figures show that the school's athletic department amassed more than \$165 million in revenue during 2013 (Table 3-3).



**Table 3-3: Texas Athletic Revenue since 2005**



*Forbes* has conducted their own method used to value top sports programs. The business magazine states, “our valuation methodology for college football teams looks at the value generated by college football's top teams for four key areas: their universities, athletic departments, conferences and local communities.” Texas ranked first on this list with an estimated value of \$131 million. The school’s athletic department turned a profit of \$18.8 million last year, and much of the university’s financial growth has been attributed to the rise of the Longhorn Network. This partnership with ESPN will be worth an estimated \$300 million over the next 20 years. Perhaps the most interesting fact about the athletic department is that it receives zero subsidies from student fees, direct and indirect institutional support, and state money (*USA Today*). Even with the cost of hiring a brand new football staff this season, the school was able to self sustain its athletic budget.

Texas is starting to realize the outlook of the NCAA, and the way it treats players is changing. The school is expected to start setting aside \$6 million a year to pay athletes (Lindenberger). This money will be distributed at about \$10,000 per player for expenses not covered by a full scholarship. Five thousand dollars of this money will compensate players for the university's use of his or her image. Texas can afford to do this, while some other schools can't; but what really matters is that they are planning and accounting for potential payments to players. The financial leader of all college sports is helping set the pace and budgeting for a potential NCAA reform -- something many of its counterparts can learn from.

## CHAPTER 4: THE COST OF COLLEGE

### *The truth of a “full-ride”*

At some point in every competitive athlete’s life, he or she dreams about playing for his or her favorite school without it ever costing them a penny. In reality though, only two percent of all high school athletes are awarded collegiate athletic scholarships (NCAA). Among these scholarships only six sports are exclusively full-ride awards: men’s basketball and football, as well as women’s basketball, volleyball, tennis, and gymnastics. For other sports, their scholarship allotment is sliced up into portions and divvied between most of the athletes on the team. In 2008 the *New York Times* ran a study on the reality of sport’s scholarships. The average athletic scholarship amount was \$10,409 (Pennington). Although it has been almost seven years, the numbers are still in that ballpark. The NCAA states athletic scholarships offer the opportunity for a free education, but many athletes’ scholarship money is less than half of the yearly tuition and room and board at a Division I school.

The median household income in the U.S. is \$53,891 (CNN). The College Board recently released a 2014-2015 study on the average price of college, combining public and private universities, in the United States. The numbers showed the cost attending a four-year institution in state was \$18,943 and \$32,762 for out-of-state students. Many students’ and athletes’ families do not have the financial means to send their children to college. So scholarships and financial aid play a large role in bridging the gap. Using

parallel 2008 data, Mark Kantrowitz, a financial aid expert, stated that 16.9% of undergraduates in bachelor's degree programs received an academic scholarship (Shellenbarger). This adds to the proof that the best way to receive financial help towards obtaining a degree is to excel in the classroom, instead of on the field.

Stories of star athletes coming from impoverished homes and receiving an athletic scholarship make the news all the time. The term "full-ride" gets thrown around a lot when talking about these athletic scholarships, but statistics show that the term isn't completely accurate. Cost of attendance is calculated by the financial aid department of each university and consists of total cost of tuition and fees, room and board, books and supplies, transportation, and other miscellaneous expenses. Right now the average NCAA "full-ride" scholarship has a \$3,500 gap in covering the full cost of attendance (Solomon). This means that a student-athlete who comes from a poor family may not be able to afford basic life necessities while on full scholarship. For example, a football player who plays in a game on Saturday may not be able to afford a meal out with friends afterwards. This gap must change and the words "free education" should never be spoken when referring to athletic scholarships.

### *Collegiate sports are a full time job*

A typical day for me at the University of Mississippi consists of waking up at nine in the morning, attending class for three hours, doing three hours of homework, and having the evening to do whatever I please with my time. I am attending school on an academic scholarship. Evan Engram, the starting tight end for the Ole Miss football team, has a schedule much different than mine. I spoke with Evan on the pressures and time

constraints placed on him during football season. During a normal fall weekday Evan will wake up around 8am and attend class for three hours starting at 9am. Straight from class Evan reports to the weight room for an hour of strength and conditioning. His day is just now getting started. From his conditioning session, Evan heads straight into an hour and a half team meeting. Once the meeting wraps up, it's straight to the practice field. Practice normally lasts two and a half hours, to about 7pm each night. After practice he attends a film session to prepare for the upcoming opponent on Saturday. Once this wraps up, he heads off to back-to-back tutoring sessions starting at 8pm. He arrives back to his condo a little before 10pm to finish the rest of his school and athletic homework, then goes to bed and repeats the same process again the following day. Evan estimates spending about seven hours each day on football activities alone, and easily more than forty hours a week during the season. For Evan, his football scholarship comes as payment for a fulltime job. He estimates spending an extra \$300 a month on a basic necessity like food. While the athletic department does provide meals for athletes, Evan voiced how these meals are quick to run out. Without the financial help from his parents, he would be forced to go hungry at times, as well as not be able to fill up his car with gas in order to get to and from football activities. He stated that many players on the team do not have the luxury of a financially supportive family. He explained that many players on the team find it hard to understand how the NCAA can disallow them from making money off of their own name and image. He stated, "Some of the top recruits from my class, including myself, signed footballs after games this past year. I decided to look on eBay to find out if any of the balls were being sold. What I found was a ball with Robert [Nkemdiche], Laremy [Tunsil], Laquon [Treadwell], and my signatures on it going for over \$400.

Someone is out there making money directly off the autographs of me and my teammates.” For Evan, football is still the same game he loved to play as a kid. However, now that game has turned into a fulltime job where, thanks to his labor, large sums of money are being made.

At the 2011 NCAA convention in San Antonio, athletes were surveyed about the amount of time they spend each week on both sports and academics. The results concluded a long-standing perception that being an athlete requires the same amount of work as a fulltime job. Division I men’s basketball and football players spend an average of 39.2 and 43.3 hours per week playing games, practicing, and training during the season. Football players reported spending only 38 hours each week on academics during the season, while basketball players were close behind at 37.3 hours. Women’s basketball players reported spending 37.6 hours on athletics and 38.9 hours on academics each week during the season. This data is astounding considering that NCAA Bylaw 17.1.5.1 states that student-athletes are not to exceed twenty hours per week participating in athletic activities. Not only do athletes exceed that amount, but many also spend more hours a week on team activities than on academics. This survey does not factor in the countless hours athletes spend on athletics just to try and obtain a college scholarship. Once again, it’s not a “free education.” Athletes have to work just as hard, if not harder, than other students in the classroom to receive the academic benefits of their scholarship.

*Todd Gurley*

The star of the Georgia Bulldog football team this year was undoubtedly Todd Gurley. He led the team in almost every offensive statistic up until week six of the

season. On October 9, 2014, this all changed for the Heisman Trophy frontrunner. Gurley was accused of signing five hundred items of memorabilia for an autograph dealer in exchange for \$8 to \$25 per item (ESPN). Video evidence showed Gurley signing autographs, but no money exchanging hands. The amount of money received from those autographs would have been as little as four thousand dollars, a mere five hundred more than his scholarship shortcoming the full-cost of attendance. Deemed an NCAA violation, Gurley was suspended four games. The calamity of this punishment was not only the suspension of profiting from his name, but that at the time of the suspension, Georgia was selling No. 3 jerseys on its website for \$134.95. Gurley wears that number on the field. Things took an even worse turn for the running back when he proceeded to tear his ACL in his first game back from suspension. Since 2005, schools have been required to certify that athletes have medical insurance coverage. The coverage does not have to be provided by the school, unless the athlete or the athlete's guardian does not have medical coverage. In Gurley's case, Georgia is one of the thirteen schools that use specialty insurance coverage for their star athletes; his policy cost \$40,000 in annual premiums (Rovell). Thankfully, Gurley was one of the lucky athletes who was insured by the school's insurance policy and was not forced to cover the cost of medical bills himself.

The cost of his suspension pales in comparison to the potential money the star may lose in this year's NFL Draft. His story puts into perspective how quickly a collegiate star athlete can lose to the system. ESPN draft expert Mel Kiper projected Gurley as the eighth overall pick in this year's NFL Draft. Last year's eighth pick, Justin Gilbert, signed a four-year, \$12.8 million deal that included a \$7.65 million signing

bonus (NFL.com). Since his injury many draft experts have slotted him now as an early second-round pick. Last year's first pick in the second round signed a four-year \$5.5 million contract that included a \$2.3 million signing bonus. If this projection comes true, his knee injury will end up costing him more than \$7 million. Although Gurley's insurance policy does have a five million dollar loss-of-value clause if he were to go undrafted, but the likelihood of that happening is miniscule. With Gurley missing four weeks of practice time and preparation due to NCAA violations, it is feasible to believe that factored in to his knee injury. Gurley would have been far better off to not continue to participate in Division I college football after his suspension, and instead move on to the NFL. Although Gurley will most likely play in the NFL, his situation helps evidence how athletes can potentially lose out on making money of their abilities due to not being paid in college and then suffering a career ending injury. This speaks volumes on how the NCAA can have ultimate control on an athlete's well being.



## CHAPTER 5: THE O'BANNON CASE

Ed O'Bannon was a star player on the UCLA men's basketball team. The Bruins won the 1995 National Championship with O'Bannon taking home the Final Four MVP trophy. In 2009 he was visiting a friend's house and saw one of the children playing a licensed NCAA Basketball video game. The game, which was released almost 14 years after O'Bannon's last collegiate basketball game, included a player who looked almost identical to him playing for the 1985 UCLA basketball team. Startled, O'Bannon realized that the NCAA and EA Sports were still profiting on his likeness even years after his playing career was over. The NCAA explicitly disallows players to receive benefits from their names, likeness, and image. They in turn, though, have no problem profiting from licensing agreements for the use of a player's likeness.

O'Bannon took his case to court in July of 2009 filing an anti-trust class action lawsuit against the NCAA. The case stated that for years the NCAA has been using the names, likeness, and image of student-athletes while at the same time preventing them from profiting from those same things. The overall goal was to change an outdated system that relies on the use of words like "amateurism" to prevent athletes from having a stake in the billion-dollar industry of NCAA sports. For O'Bannon, the case was about shining a light on the archaic system:

My biggest thing has been change. These rules have been in place for a hundred years and there has been no change. Times have changed, the economy has

changed, the players themselves have changed, the salaries of the coaches have changed. Everything has changed except for how a player is compensated. And whether [they're paid] while they're in school, or whether it's once their eligibility is up, that part of the game has to change.

On August 8, 2014, the case finally received a verdict. U.S. District Judge Claudia Wilken issued a ninety-nine page “Findings of Fact” siding with O’Bannon. The report stated, “The NCAA asserts that the challenged restrictions on student-athlete compensation are reasonable because they are necessary to preserve its tradition of amateurism, maintain competitive balance among FBS football and Division I basketball teams, promote the integration of academics and athletics, and increase the total output of its product.” Amateurism has been the NCAA’s main defense in lawsuits due to the fact that the association believes it is core to fundamentals of collegiate athletics. Wilken proposed this to be false and cited: “The Court finds that the NCAA’s current restrictions on student-athlete compensation, which cap athletics-based financial aid below the cost of attendance, are not justified by the definition of amateurism set forth in its current bylaws.” Amateurism was deemed dead that day and change has now been set forth.

In accordance with the ruling, the NCAA will no longer be allowed to cap the amount of a full scholarship below the cost of attendance, and also cannot prevent schools from creating trust funds to pay men’s football and basketball players equal shares for the use of their name, likeness, and image (Solomon). Wilken specified that the optional trust funds must pay players a minimum of \$5,000 each year and that the amounts cannot be fixed a set price, promoting competition between schools. Using this number, the aggregate cost over four years would be about \$300 million (Farrey), if all

NCAA Division I men's basketball and football programs participated. The case argued that with schools continuing to expand stadiums and athletic facilities, as well as coaching salaries constantly growing, money can be set aside to focus on giving players their fair share. While the O'Bannon case was a win for men's basketball and football players, it is only the tip of the iceberg towards overall NCAA reform.

## CHAPTER 6: THE FINANCIAL IMPACT OF PAYING ATHLETES

### *The problem within financial reporting*

According to the Knight Commission of Intercollegiate Athletics, college athletic departments are required to submit financial reports to the NCAA subject to agreed-upon procedures conducted by a "qualified independent accountant who is not a staff member of the institution" and to the U.S. Department of Education in compliance with the Equity in Athletics Disclosure Act (EADA) of 1994. The NCAA report is not currently publicly available, but donors, students, and others interested in an athletic department's financial situation can access the EADA report. The problem with athletic department reporting starts with transparency.

The Federal Accounting Standards Advisory Board (FASAB) controls Generally Accepted Accounting Principles (GAAP) as a means of standardizing financial reporting. The AICPA, American Institute of Certified Public Accountants, hierarchy of generally accepted accounting principles governs what constitutes GAAP for federal reporting entities and lists the priority sequence of pronouncements that a federal reporting entity should look to for accounting and financial reporting authoritative guidance. According to SAS No. 69, the goal of GAAP financial reporting is to fairly present financial information (AICPA).

Wolk, Dodd, and Rozycki (2013) state the conceptual framework of accounting is "supposed to embody a coherent system of interrelated objectives and fundamentals that

can lead to consistent standards and that prescribes the nature, function, and limits of financial accounting and financial statements.” The qualitative characteristics of useful financial information are relevance and faithful representation. For information to be relevant, it must have predicative and confirmatory value. Predicative value relates to the ability of anticipating future outcomes and confirmatory value gives users the ability to check those earlier predictions. Information that is faithfully represented must be complete, fully disclose all necessary information, neutral, or free from bias, and free from error with no omissions and inaccuracies (Wolk, Dodd, and Rozycki 2013). The enhancing qualities of the characteristics are comparability, verifiability, timeliness, and understandability.

In his study on “Financial Reporting in Division I College Athletics,” Anish Sharma looked at NCAA and EADA reporting to determine comparability, consistency, and completeness of the reports. He found that the EADA report was not comparable and complete. The NCAA reports were not comparable, consistent, or complete. Both the NCAA and EADA reports were also deemed in violation of the conceptual framework of GAAP. This means that both NCAA and EADA reports are basically up to the discretion of the preparer, with no governing body like the FASB imposing stricter regulation. The reporting standards must be changed so that players, donors, and the general public can better understand the actual flow of financial resources through an athletic department.

*The numbers are not completely accurate*

Division I athletic programs are constantly in an arms race to outpace the competition. With millions of dollars in expenses each year on salaries, remodels, and

scholarships, schools can have a tough time covering all these costs. In the mind of athletic programs, winning and recruiting top athletes to elite programs drive up these expenses more and more each year. Schools are constantly looking for an advantage in recruiting and landing top high school players. Landing these athletes means winning. Winning means more revenue to cover the cost of “recruiting advantages.” According to the NCAA, only 20 Division I schools turned a profit in 2014. While this shows a troubling side of collegiate athletics, it’s not the complete picture.

The lack of relevance and faithful representation within financial statements, as mentioned previously, has caused athletic departments to look as if they are only scraping by to continually exist. This problem originates from many schools inflating transfer-price accounting numbers. For this argument, the athletic department can be viewed as a subsidiary of the actual university. Athletic departments use transfer pricing as a way to account for expenses sent back to university. The use of this technique causes large amounts of athletic profits to be moved away from the department and into the general resources of the university. This is evidenced by Ohio State University charging its athletic department \$8.5 million for "overhead," "physical plant assessment," "cost containment" and "university fundraising," \$1 million for "library renovations," and another \$15.7 million for scholarships (Dosh). Universities also record sending money to the athletic department, although those figures are not always accurately represented.

Most schools record the money they send to their athletic departments in some form of a direct institutional support account. The schools though also in turn charge the athletic departments for the cost of providing an athletic scholarship (Goff). For instance, suppose a school states that they provide \$20,000 of direct institutional support per

athlete, and also that an athletic scholarship is valued at \$30,000 by the school. The athletic department must then account for all the scholarships they give out at that price and in turn deduct it as an expense charged to them by the university. The net payment though is only \$10,000, which means that the school is actually providing no support to the athletic department at all. This is where the “actual” expense numbers sometimes get mixed up. In an article detailing how college sports programs are playing poor, Andy Schwarz of *VICE Sports* writes:

In universities and other non-profits, transfer-price accounting is used as a way to manage dozens of autonomous, generally money-losing departments. For instance, a school's communications department is given a certain amount of money to spend, and free reign as to how to spend it. When it wants to use university services--like a secretary, a scholarship, or a classroom--it gets told a price, and it deducts that amount from its budget. That price might reflect the actual cost to the university, but it doesn't have to. It's simply a number assigned by a bureaucrat to manage the department's spending, so if the school wants more communications classes, it might lower the cost (that is, the transfer price) of "renting" classroom space; if it wants less spending on administrative staff, it might raise the listed cost of a secretarial position regardless of the actual salary associated with that position. This is true whether the department is called "Communications" or "Athletics." If central school accounting says each full scholarship costs \$50,000, then to the department head or Athletics Director (AD), it likely feels like a real cost. But to the school as a whole, unless forgoing

that scholarship really increases total cash by \$50,000, *that's not what it actually costs.*

Transfer pricing offers an easy way for athletic departments to manage spending budgets, sometimes without using actual real numbers. Not only do departments benefit by doing this, but when actual surpluses arise many schools dump that money back into expenses such as renovations, raising coaching salaries, or building new facilities. Due to the potential idea of having to pay collegiate athletes, it makes sense for schools to try and hide those surpluses.

Dr. Brian Goff of the University of Western Kentucky's Department of Economics published a paper in 2000 on the quantifiable effects of intercollegiate athletics. The paper focused on empirical data in regards to the financial reporting of the 109 NCAA Division I schools at the time. Goff deemed several adjustments necessary to accurately assess a school's financial situation. The first adjustment was valuing grant-in-aid expenses at their true incremental expense to the university instead of at fictitious "list" prices. Secondly, Goff adjusted athletics-produced revenues that were attributed to non-athletic accountants. He did this because at most universities some, if not all, merchandising sales, concession revenues, parking receipts, and other related revenues are attributed to a university's general fund and non-athletic accounts. This causes athletic department revenue to be undervalued. The results, after accounting for adjustments, showed that only 10% of Division I schools lost money that year. Of those eleven schools all but three came from the Mid-American Conference, whose universities continually rank in the lowest level of Division I men's football and basketball programs. The results also found that 79% of departments exceeded \$1 million in annual profits,



with 72% exceeding \$2 million. Although this study was done ten years ago, those numbers have likely grown due to the growth of college athletics and more schools entering Division I. To better account for the inflows and outflows of resources, schools should be forced to reconcile their financial statements based upon actual yearly transactions. Through reconciliation, a school's athletic department would no longer be able to hide surpluses and create expenses that make it seem as if they are struggling to make ends meet. Accounting policy reform needs to be mandated to show the public the actual financial reality of collegiate athletic departments. Without this reform, schools will continue to abuse the system.

### *Value of Athletes*

Schools use a player's image for just about anything. Whether it is through filming advertisements, attending fundraisers, or promoting interviews, athletes can offer a tremendous public relation's boost. Many athletes also play an important role in recruiting others to play at their respective universities. Apart from being students and playing sports, athletes are some of the best ambassadors for a school. Star players can have an impact that far outreaches the scoreboard.

Along with generating large sums of money, athletes bring tremendous exposure to a university. Florida Gulf Coast University was the Cinderella story of the men's NCAA Basketball Tournament last year. The school became the first ever fifteenth seed to make it to the Sweet 16, and was known as "Dunk City" for their high flying abilities. After the tournament, FGCU experienced a 35.4 % year-after-year spike in freshman applications. In addition to bringing in millions for the school by making the tournament

and winning two games, the basketball team's athletes helped put the small school on the map for high school students. The same is true for smaller schools that had similar tournament success. According to Eamonn Brennan of ESPN, the admission spike of Florida Gulf Coast was not the first time basketball made a smaller school's relevance increase:

The correlation would be too strong in the absence of previous basketball-related exposure evidence, but there is plenty of precedent there, too. In 2006, a George Mason professor published a study claiming the Final Four-qualifying Patriots had received roughly \$677 million in free advertising; its enrollment spiked by 350 percent. In 2010, after Butler's inches-away loss to Duke in the national title game, the university estimated it received about \$410 million in free exposure. It received a 41 percent increase in admissions applications.

Athletics bring out school spirit more than any other department. The sense of connection alumni have with their school's teams is why college sports are revered as being more passionate than their professional counterparts.

A university's alumni will undoubtedly always support, both financially and emotionally, the athletic program. Boosters will always be there to donate money to the athletic program, but the ultimate financial success of a program relies heavily on the athletes. The 2011-2012 Ole Miss Football Team won two games. The attendance at games became abysmal. The following season football team won seven games and their first bowl game since 2009. According to the university's EADA Reports, athletic contributions rose from \$10,933,092 in 2012 to \$18,454,960 in 2013. This 68.8% increase came primarily due to the athletes on the football team winning games. In

February of 2013, the football team signed the number five recruiting class in the nation. This led to the school selling a record 50,386 season tickets for the upcoming football season (Ole Miss Sports). There is a direct correlation between the high profile players signed that year and the number of season tickets sold. This helps evidence how an athlete's ability to help a team win games leads to financial success for the athletic department. Although the alumni and boosters at Ole Miss will consistently give money to the athletic department regardless of the players on the team, the specific amount of money can be directly attributed to how well athletes on each team perform. The achievements on the field by athletes are the driving factor behind how much money an athletic department can potentially raise.

If players were allowed to be bought and sold on the open market, their estimated values are remarkable. In a study done by Drexel University and the National College Players Association, the projected fair market value of the average college football player was \$178,000 per year from 2011 to 2015, while the projected market value of an average college basketball player over the same time period was \$375,000 (Kona). The same study estimated that exceptionally talented athletes, like Johnny Manziel and Andrew Wiggins, could have been worth as much as \$547,000 and \$1.2 million per year during their college careers. Although it would not be feasible to pay these players using those same figures, their market prices do attest to the overall value they provide to the NCAA and its universities.

*How much will it cost?*

Due to the NCAA's amateur laws, athletes have been disallowed from receiving their portion of the proverbial pie in college athletics. The NCAA has become the best free farm system in the world for professional sports by forcing all athletes except baseball, tennis, and golf players to attend college before turning pro. Theoretically the association is telling players that in order to achieve your dreams of playing professionally, you first have to play for our schools and abide by our four-hundred-page manual that prevents you from receiving any compensation. While players indeed deserve some form of monetary compensation, the financial impact of paying all athletes could be extremely costly.

The University of Mississippi Athletic Department recorded in its 2014 NCAA Report that revenues exceeded expenses by \$2,555,504. The University reported that 321 student-athletes received athletic aid during the past year. With the surplus sitting at just over two and a half million dollars, the school would be able to pay every student athlete the minimum amount of money required by the O'Bannon ruling. By being a member of the Southeastern Conference, Ole Miss has the financial backing of the wealthiest league within intercollegiate athletics. For schools outside of the SEC and the other large conferences, the costs of paying players could severely outweigh the revenues brought in by the conference and its teams. What may in fact be manageable for a school like Ole Miss could be insurmountable for smaller schools with below average revenues.

**Table 6-1: The Financial Impact on Ole Miss and the NCAA**

<b>University of Mississippi</b>				
<b>Men's Sports</b>	<b>Number of Scholarships</b>	<b>Minimum Court Ruled</b>		<b>Cost by Sport</b>
		<b>Compensation Limit</b>		
Baseball	11.7	\$5,000		\$58,500
Basketball	13	\$5,000		\$65,000
Football	85	\$5,000		\$425,000
Golf	4.5	\$5,000		\$22,500
Tennis	3.91	\$5,000		\$19,550
Track and Field	12.93	\$5,000		\$64,650
<b>Subtotals</b>	<b>131.04</b>			<b>\$655,200</b>
<b>Women's Sports</b>	<b>Number of Scholarships</b>	<b>Minimum Court Ruled</b>		<b>Cost by Sport</b>
		<b>Compensation Limit</b>		
Basketball	12	\$5,000		\$60,000
Golf	5.65	\$5,000		\$28,250
Rifle	3.6	\$5,000		\$18,000
Soccer	14	\$5,000		\$70,000
Softball	11.99	\$5,000		\$59,950
Tennis	8	\$5,000		\$40,000
Track and Field	17.35	\$5,000		\$86,750
Volleyball	12	\$5,000		\$60,000
<b>Subtotals</b>	<b>84.59</b>			<b>\$422,950</b>
<b>Totals</b>	<b>215.63</b>			<b>\$1,078,150</b>
<b>National Collegiate Athletic Association</b>				
<b>Division 1</b>	<b>Number of Schools</b>	<b>Number of Scholarships</b>	<b>Minimum Court Ruled Compensation Limit</b>	<b>Financial Cost</b>
Football	125	85	\$5,000	\$53,125,000
Men's & Women's Basketball	344	26	\$5,000	\$44,720,000
<b>Subtotal</b>				<b>\$97,845,000</b>
All Sports	351	230	\$5,000	\$403,650,000
<b>Division 2</b>	<b>Number of Schools</b>	<b>Number of Scholarships</b>	<b>Minimum Court Ruled Compensation Limit</b>	<b>Financial Cost</b>
Football	148	36	\$5,000	\$26,640,000
Men's & Women's Basketball	281	20	\$5,000	\$28,100,000
<b>Subtotal</b>				<b>\$54,740,000</b>
All Sports	300	122	\$5,000	\$183,000,000
<b>"Power 5" Conferences</b>	<b>Number of Schools</b>	<b>Number of Scholarships</b>	<b>Minimum Court Ruled Compensation Limit</b>	<b>Financial Cost</b>
Football	65	85	\$5,000	\$27,625,000
Men's & Women's Basketball	65	26	\$5,000	\$8,450,000
<b>Subtotal</b>				<b>\$36,075,000</b>
All Sports	65	230	\$5,000	\$74,750,000

Sources: Ole Miss NCAA Report (2014) and NCAA

For the NCAA to pay every Division I student-athlete based on the number of scholarships, the cost would be north of \$400 million (Table 6-1). The cost to pay all Division I football players alone would be over \$50 million (Table 6-1). To reach \$400 million would require all of the 351 Division I schools to increase yearly revenues or decrease yearly expenses by an average of \$1.1 million. After adding in all Division II scholarship athletes the cost quickly jumps up to almost \$600 million (Table 6-1). This daunting figure brings into question whether or not every athlete deserves to be paid, and how to determine which sport's athletes should be paid. There would have to be major sacrifices made by each school, through cutting costs or even programs, just to have a shot at coming close to that number. The truth is that not all schools have the pocketbooks to pay every athlete, thereby forcing the NCAA or a third-party to cover the remaining costs.

Compensating players could potentially be followed by income taxation repercussions. If universities and the NCAA were to start treating student-athletes as employees, they would possibly be in jeopardy of losing their non-profit status. The cost of having to pay these taxes could be detrimental to some schools' ability to pay their athletes.

In addition to the compensation, the financial impact of allowing players to make money on their names, likeness, and image could extend beyond the NCAA and into the pockets of third parties. For example, this rule would allow Ole Miss star football players Laquon Treadwell and Robert Nkemdiche to sign endorsement deals and autographs for money if they so chose. If sponsors are willing to endorse athletes, then the money athletes could generate for themselves would extend far beyond the \$5,000 annual

allowance. This court-ordered NLI change could have a financial impact that affects not only the NCAA, but also some of its largest sponsors and corporate partners.

### *Power Five Conferences*

According to *USA Today*, 44 of the top 50 highest revenue generating athletic departments reported that their revenues exceeded expenses. All of those 44 schools came from a Power Five conference. This helps show how the schools generating the most money, are also the schools that have the ability to pay athletes. For those schools that value their athletic departments, like the members of the Power Five Conferences, the financial means to pay athletes are available through the money generated by having a successful athletic program. The number of National Championships that the members of the Power Five Conferences have won evidences this dominance. The 1990 UNLV Rebels were the last non-Power Five program to win the NCAA March Madness Tournament. Also, no small conference team has won the FBS National Championship since BYU in 1984. As the landscape of collegiate athletics has changed, the larger conferences have continued to become wealthier. The schools within these five conferences attract the nation's top high school talent and often have the best teams. Winning means more money for the conference, as well as the potential ability to pay student-athletes.

**Table 6-3: The Financial Impact on All Power Five Schools**

**Power Five Conferences (2014)**

\* Private Universities

† Calculated based on scholarship limits for each athletic team

ACC	Athletic Revenue	Athletic Expenses	Surplus (Deficit)	Athletic Scholarships	Cost to Pay Athletes (\$5,000 per Scholarship)	New Surplus (Deficit)
Boston College*	\$ 65,229,918	\$ 65,229,918	\$ -	272	\$ 1,360,000	\$ (1,360,000)
Clemson	\$ 69,061,398	\$ 67,091,087	\$ 1,970,311	246.2 †	\$ 1,231,000	\$ 739,311
Duke*	\$ 79,645,699	\$ 78,499,503	\$ 1,146,196	326.1 †	\$ 1,630,500	\$ (484,304)
Florida St.	\$ 91,382,441	\$ 84,772,759	\$ 6,609,682	244.2	\$ 1,221,000	\$ 5,388,682
Georgia Tech	\$ 61,780,812	\$ 63,630,961	\$ (1,850,149)	222	\$ 1,110,000	\$ (2,960,149)
Louisville	\$ 96,193,330	\$ 92,383,221	\$ 3,810,109	263	\$ 1,315,000	\$ 2,495,109
Miami*	\$ 71,785,978	\$ 71,785,978	\$ -	256.3 †	\$ 1,281,500	\$ (1,281,500)
North Carolina	\$ 82,792,342	\$ 82,735,139	\$ 57,203	338.1 †	\$ 1,690,500	\$ (1,633,297)
NC State	\$ 67,481,639	\$ 63,137,393	\$ 4,344,246	275.77	\$ 1,378,850	\$ 2,965,396
Notre Dame*	\$ 114,843,522	\$ 97,143,048	\$ 17,700,474	310.3	\$ 1,551,500	\$ 16,148,974
Pittsburgh*	\$ 66,089,664	\$ 66,089,664	\$ -	257	\$ 1,285,000	\$ (1,285,000)
Syracuse*	\$ 87,647,822	\$ 72,078,196	\$ 15,569,626	274.1 †	\$ 1,370,500	\$ 14,199,126
Virginia	\$ 84,402,710	\$ 84,201,789	\$ 200,921	316.6	\$ 1,583,000	\$ (1,382,079)
Virginia Tech	\$ 70,030,484	\$ 66,581,916	\$ 3,448,568	272 †	\$ 1,360,000	\$ 2,088,568
Wake Forest*	\$ 56,247,495	\$ 56,247,495	\$ -	226.2 †	\$ 1,131,000	\$ (1,131,000)
<b>Totals</b>	<b>\$ 1,164,615,254</b>	<b>\$ 1,111,608,067</b>	<b>\$ 53,007,187</b>	<b>4099.87</b>	<b>\$ 20,499,350</b>	<b>\$ 32,507,837</b>

**Big XII**

Baylor*	\$ 86,929,398	\$ 86,929,398	\$ -	243.3 †	\$ 1,216,500	\$ (1,216,500)
Iowa St.	\$ 62,357,761	\$ 62,224,194	\$ 133,567	275	\$ 1,375,000	\$ (1,241,433)
Kansas	\$ 93,114,168	\$ 79,720,036	\$ 13,394,132	276.4 †	\$ 1,382,000	\$ 12,012,132
Kansas St.	\$ 70,457,283	\$ 59,325,573	\$ 11,131,710	220.8	\$ 1,104,000	\$ 10,027,710
Oklahoma	\$ 123,805,661	\$ 102,447,553	\$ 21,358,108	264.5 †	\$ 1,322,500	\$ 20,035,608
Oklahoma St.	\$ 93,664,337	\$ 96,551,860	\$ (2,887,523)	229	\$ 1,145,000	\$ (4,032,523)
TCU*	\$ 77,068,398	\$ 77,068,398	\$ -	246.8 †	\$ 1,234,000	\$ (1,234,000)
Texas	\$ 165,691,486	\$ 146,807,585	\$ 18,883,901	260.2 †	\$ 1,301,000	\$ 17,582,901
Texas Tech	\$ 72,917,990	\$ 66,296,446	\$ 6,621,544	216.3 †	\$ 1,081,500	\$ 5,540,044
West Virginia	\$ 77,706,698	\$ 73,501,593	\$ 4,205,105	259.9 †	\$ 1,299,500	\$ 2,905,605
<b>Totals</b>	<b>\$ 923,713,180</b>	<b>\$ 850,872,636</b>	<b>\$ 72,840,544</b>	<b>2492.2</b>	<b>\$ 12,461,000</b>	<b>\$ 60,379,544</b>

**Big Ten**

Illinois	\$ 79,725,521	\$ 78,667,480	\$ 1,058,041	258.5 †	\$ 1,292,500	\$ (234,459)
Indiana	\$ 76,660,265	\$ 72,597,053	\$ 4,063,212	293 †	\$ 1,465,000	\$ 2,598,212
Iowa	\$ 107,153,782	\$ 106,969,227	\$ 184,555	299.4 †	\$ 1,497,000	\$ (1,312,445)
Maryland	\$ 63,714,470	\$ 63,367,929	\$ 346,541	276.9 †	\$ 1,384,500	\$ (1,037,959)
Michigan	\$ 143,514,125	\$ 131,018,311	\$ 12,495,814	299.1 †	\$ 1,495,500	\$ 11,000,314
Michigan St.	\$ 97,942,726	\$ 93,743,529	\$ 4,199,197	322.2 †	\$ 1,611,000	\$ 2,588,197
Minnesota	\$ 98,286,669	\$ 96,427,632	\$ 1,859,037	324.4 †	\$ 1,622,000	\$ 237,037
Nebraska	\$ 86,916,001	\$ 81,666,269	\$ 5,249,732	267.1 †	\$ 1,335,500	\$ 3,914,232
Northwestern*	\$ 68,259,760	\$ 68,259,760	\$ -	276.1 †	\$ 1,380,500	\$ (1,380,500)
Ohio St.	\$ 139,639,307	\$ 116,026,329	\$ 23,612,978	388.5 †	\$ 1,942,500	\$ 21,670,478
Penn St.	\$ 104,751,464	\$ 110,737,200	\$ (5,985,736)	364.9 †	\$ 1,824,500	\$ (7,810,236)
Purdue	\$ 72,379,392	\$ 74,628,002	\$ (2,248,610)	280.7 †	\$ 1,403,500	\$ (3,652,110)
Rutgers	\$ 78,989,475	\$ 78,989,475	\$ -	314.2 †	\$ 1,571,000	\$ (1,571,000)
Wisconsin	\$ 149,141,405	\$ 146,659,187	\$ 2,482,218	304.3 †	\$ 1,521,500	\$ 960,718
<b>Totals</b>	<b>\$ 1,367,074,362</b>	<b>\$ 1,319,757,383</b>	<b>\$ 47,316,979</b>	<b>4269.3</b>	<b>\$ 21,346,500</b>	<b>\$ 25,970,479</b>

**Pac-12**

Arizona	\$ 68,510,915	\$ 68,253,136	\$ 257,779	255.2 †	\$ 1,276,000	\$ (1,018,221)
Arizona St.	\$ 65,673,955	\$ 65,600,187	\$ 73,768	286.6 †	\$ 1,433,000	\$ (1,359,232)
California	\$ 94,487,380	\$ 90,126,390	\$ 4,360,990	332.5 †	\$ 1,662,500	\$ 2,698,490
Colorado	\$ 58,334,345	\$ 66,327,497	\$ (7,993,152)	207.1 †	\$ 1,035,500	\$ (9,028,652)
Oregon	\$ 115,241,070	\$ 94,972,708	\$ 20,268,362	243.3	\$ 1,216,500	\$ 19,051,862
Oregon St.	\$ 65,467,970	\$ 64,185,065	\$ 1,282,905	257 †	\$ 1,285,000	\$ (2,095)
Stanford*	\$ 67,400,966	\$ 57,847,000	\$ 9,553,966	300	\$ 1,500,000	\$ 8,053,966
UCLA	\$ 83,926,720	\$ 83,926,720	\$ -	285	\$ 1,425,000	\$ (1,425,000)
USC*	\$ 106,528,649	\$ 106,528,649	\$ -	280.2	\$ 1,401,000	\$ (1,401,000)
Utah	\$ 46,855,283	\$ 49,520,152	\$ (2,664,869)	246.9 †	\$ 1,234,500	\$ (3,899,369)
Washington	\$ 85,072,886	\$ 76,209,927	\$ 8,862,959	261.2 †	\$ 1,306,000	\$ 7,556,959
Washington St.	\$ 47,191,240	\$ 52,126,124	\$ (4,934,884)	233.8 †	\$ 1,169,000	\$ (6,103,884)
<b>Totals</b>	<b>\$ 904,691,379</b>	<b>\$ 875,623,555</b>	<b>\$ 29,067,824</b>	<b>3188.8</b>	<b>\$ 15,944,000</b>	<b>\$ 13,123,824</b>



<b>SEC</b>									
Alabama	\$ 143,776,550	\$ 116,607,913	\$ 27,168,637	262.3		\$ 1,311,500	\$ 25,857,137		
Arkansas	\$ 99,770,840	\$ 92,131,933	\$ 7,638,907	228.3	†	\$ 1,141,500	\$ 6,497,407		
Auburn	\$ 103,680,609	\$ 103,126,413	\$ 554,196	267.2	†	\$ 1,336,000	\$ (781,804)		
Florida	\$ 130,011,244	\$ 106,972,983	\$ 23,038,261	264.2	†	\$ 1,321,000	\$ 21,717,261		
Georgia	\$ 98,120,889	\$ 96,904,626	\$ 1,216,263	267.2		\$ 1,336,000	\$ (119,737)		
Kentucky	\$ 95,720,724	\$ 93,423,628	\$ 2,297,096	265.7	†	\$ 1,328,500	\$ 968,596		
LSU	\$ 117,457,398	\$ 105,312,018	\$ 12,145,380	252.2		\$ 1,261,000	\$ 10,884,380		
Mississippi St.	\$ 62,764,025	\$ 57,362,224	\$ 5,401,801	216.3	†	\$ 1,081,500	\$ 4,320,301		
Missouri	\$ 76,306,889	\$ 70,267,015	\$ 6,039,874	257.6	†	\$ 1,288,000	\$ 4,751,874		
Ole Miss	\$ 73,390,050	\$ 71,315,807	\$ 2,074,243	215.63		\$ 1,078,150	\$ 996,093		
South Carolina	\$ 90,484,422	\$ 89,097,412	\$ 1,387,010	256.1	†	\$ 1,280,500	\$ 106,510		
Tennessee	\$ 111,579,779	\$ 110,269,194	\$ 1,310,585	260.2	†	\$ 1,301,000	\$ 9,585		
Texas A&M	\$ 93,957,906	\$ 85,114,588	\$ 8,843,318	255.2	†	\$ 1,276,000	\$ 7,567,318		
Vanderbilt*	\$ 63,724,520	\$ 63,724,520	\$ -	212.3	†	\$ 1,061,500	\$ (1,061,500)		
<b>Totals</b>	<b>\$ 1,360,745,845</b>	<b>\$ 1,261,630,274</b>	<b>\$ 99,115,571</b>	<b>3480.43</b>		<b>\$ 17,402,150</b>	<b>\$ 81,713,421</b>		
<b>Combined Total</b>	<b>\$ 5,720,840,020</b>	<b>\$ 5,419,491,915</b>	<b>\$ 301,348,105</b>	<b>17,530.60</b>		<b>\$ 87,653,000</b>	<b>\$ 213,695,105</b>		

Sources: USA TODAY and EADA Reports (2014)

The Power Five conferences had forty-seven (72%) athletic departments report a surplus in 2014 (Table 6-3). Twenty-one of those schools surpluses exceeded five million dollars, with Alabama having the largest surplus at over \$27 million. Only seven (11%) athletic departments reported a deficit, and eleven (17%) stated that they came out even during the year (Table 6-3). The SEC lead the field with all but Vanderbilt, whom reported breaking even, having athletic revenues that exceed athletic expenses. The Pac-12 was at the bottom of the list with only seven of its twelve members recording a surplus. Each schools total number of athletic scholarships were multiplied by the \$5,000 minimum compensation limit, per the O'Bannon case ruling, in order to determine which schools could afford the cost of paying their scholarship athletes. The results showed that after compensating all scholarship athletes, thirty-five (54%) athletic departments would still have a surplus in 2014 (Table 6-3). The financial impact of paying athletes would cause twelve Power Five schools to change from reporting a surplus to reporting a deficit. Although not all members could afford paying their players, each conference has the financial means to make it happen. The Power Five conferences as whole would still retain an \$81 million surplus after paying the athletes (Table 6-3).

Competitive balance could become an issue if all Power Five conferences started paying their collegiate athletes. The gap between these five conferences and the rest of the NCAA Division I conferences is apparent by the championship dominance of the Power Five. New issues could arise within these five conferences though if athletes were to start being paid. The conferences would be forced to deal with the question of whether or not the schools that still retain a surplus after paying their athletes should have to help the remaining members of the conference that cannot afford to do the same. The risk of imbalance within conferences could cause inter-school competitiveness to dramatically decline. The Power Five conferences already draw in top high school recruits each year, but schools within these conferences that do not have the ability to pay student-athletes could potentially lose recruits to the members of the conference that can afford to pay. This potential disparity could cause athletic departments to cut out certain sports in order to remain competitive.

The future outlook of the Power Five conferences still remains bright. Each conference has an exclusive long-term television contract with either ESPN, CBS, FOX, NBC, or their own conference network. Winning has brought the Power Five tremendous financial success, and it's in large part due to the skill that the athletes in these conferences possess. Alumni will watch their school's games regardless of the athletes on the team, but those same athletes are primarily responsible for bringing in the national appeal and viewership of an LSU versus Alabama type football game. Paying all athletes within these conferences could be challenging, but in comparison to the cost of paying all of the Division I athletes, it is a relatively good place to start.

## *Title IX*

In 1972, Title IX of the Education Amendments was signed into law. The U.S. Justice Department states, “Title IX is a comprehensive federal law that prohibits discrimination on the basis of sex in any federally funded education program or activity. The principal objective of Title IX is to avoid the use of federal money to support sex discrimination in education programs and to provide individual citizens effective protection against those practices.” The goal of Title IX was to end discrimination based on gender across an array of educational activities, including collegiate athletics. In 1971–1972, there were fewer than 30,000 women participating in collegiate athletics, but in 2010–2011 the number of women playing sports in college exceeded 190,000 (NCWGE). In 1972, women’s sports received on average two percent of a school’s athletic budget and, moreover, were not rewarded any athletic scholarships. Thanks to Title IX, women received 48% of the total athletic scholarship dollars at Division I schools in 2009-2010 (NCWGE). The improvement Title IX has made to women’s sports is undeniable. When it comes to potentially paying athletes, the equality of genders must remain intact for the model to be free from appeal.

This can be a difficult task for the NCAA due to the monetary differences seen between men and women’s professional sports. Professional basketball salaries offer a lateral comparison. The average NBA player’s salary during the 2013-2014 season was \$4.9 million (Badenhausen). To put that number in perspective the WNBA’s maximum salary was \$107,000 or approximately 4500% less than the NBA’s average salary (Fagan). Sadly, there is just not enough money professionally in women’s sports for them to pay equally. The NCAA is not allowed to play by those same rules. For most schools,

their highest revenue generating women's sport is basketball. Although women's basketball teams generate revenue, only 43 of the 341 Division I programs turned a profit in 2011 (Smith). This has forced men's athletic profits to cover the losses by women's sports.

Title IX forces schools to make available equal participation among men and women in sports. The law also requires schools to spend financial assistance proportionally to participation rates. According to the Women's Sports Foundation, an estimated 80 to 90 percent of all higher education institutions are not in compliance with Title IX. In the eyes of athletic directors, cutting costs from a non revenue generating women's sport is far more reasonable than cutting back on projects benefitting the football team. In order to avoid lawsuits though, the NCAA reform will have to pay female athletes their equal share of the pot. Even with athletic departments generating the vast majority of their revenues from men's football and basketball, women's teams have a valid stake to claim as well. There is no doubt that women athletes compete and practice just as hard as men, and also have to balance the long hours of both athletics and academics.

## CHAPTER 7: CONCLUSION

The landscape of the NCAA has changed drastically since its founding in 1906. Collegiate athletics have grown into a multibillion-dollar industry with everyone reaping the financial benefits except for the athletes who play in the games. The NCAA has long abided by insisting that student-athletes are amateurs. The principal of amateurism in the association's bylaws state that "student participation in intercollegiate athletics is an avocation, and student-athletes should be protected from exploitation by professional and commercial enterprises." This statement comes from the same association that allows corporate sponsors for every athletic event, as well as television networks to pay billions for the rights to broadcast collegiate games. College athletes are some of the most commercially exploited people in our entire country, as evidenced by the amount of money made off of them each year. The code of amateurism is outdated. The time when players were just recreationally playing sports for colleges has long since passed. Reality has begun to set in; today's athletes have become the foundation for one of the largest open markets in our country.

This never-ending circle of injustice needs and deserves to be brought to an end. If the NCAA is going to stand by and defend the amateur status of collegiate athletes, then they should actually adopt an amateur model. Do away with television contracts, coaching salaries, athletic scholarships, sponsorships and, so forth, in order for the NCAA to candidly deem paying athletes as "antithetical to the whole principle of

intercollegiate athletics”. Let all students try out for teams coached by professors who compete out of nothing more than for the love of the game.

Growth is a word that defines collegiate athletics. From revenues and coaching salaries, to stadium expansions and sponsorship deals, everyone except the athlete has benefitted financially. This growth is visible to the naked eye, but it is not always detectible through the lens of the financial statements. The conundrum is that if the NCAA and its universities began showing profits generated by collegiate athletics, it could mean another 460,000 hands reaching out to claim a share. It brings into question how an entity that operated with an eighty million dollar surplus in 2014 was able to prevent their most important “employees” from receiving any compensation. Most athletic departments, due to the flawed accounting methods they use, hide this same problem. Reconciliation needs to occur in order to match what the naked eye is seeing with what the actual financial reports are showing.

The truth is that college athletes don’t need to be paid large sums of money, but for all athletes to receive absolutely zero money is unreasonable. The NCAA has theoretically turned Maslow’s Hierarchy of Needs on its head. With the NCAA Manual deeming that receiving food and financial assistance from a third party a violation, athletes can be forced to sacrifice their basic physical needs in life. The NCAA, first and foremost though, requires athletes to abide by the association’s definition of morality and lack of prejudice. The verdicts of several class-action anti-trust lawsuits have recognized that the NCAA is fundamentally flawed. In order to right the wrong of exploiting athletes, change must occur. The solution is for the NCAA to release its all-encompassing

control over a student-athlete, and finally begin to treat players with the respect and financial benefits that they undoubtedly deserve.

Paying every single Division I scholarship athlete is economically unreasonable. The financial impact of paying all these athletes is over \$400 million. There is no viable solution for this problem without a total renovation of how NCAA revenues are distributed to schools. Instead, paying players within the Power Five Conferences offer a good base solution to the problem. The cost of paying the athletes within these conferences is \$87.6 million, which is a much more attainable goal. Both the SEC and Big Ten have their own television network, and all schools within the five major conferences generate over forty-six million in revenues annually. Naturally, the success these schools have had on the field has, in turn, made them the wealthiest in the entire NCAA. The Power Five Conferences have fourteen schools that generate over \$100 million each year. Based on this information, it is reasonable to believe that those schools could potentially set aside roughly two percent of their athletic revenues per year for the specific use of paying athletes. As of 2014, thirty-five of the sixty-five Power Five schools would be able to financially self-support paying their scholarship athletes \$5,000 annually. There are though potential difficulties with paying Power Five athletes, due to some of the athletic departments operating at a deficit, but with the total combined athletic surplus of the conferences these difficulties can be overcome. There is no perfect solution to solving the issue of athletes receiving zero monetary compensation, but paying athletes in the Power Five Conferences offers the most reasonable platform for the NCAA to use in order to partially fix the problem.

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## APPENDICIES

APPENDIX A: OLE MISS ATHLETICS FOUNDATION

**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Activities**  
**Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>				
Membership Contributions	\$ 13,822,596	\$ -	\$ -	\$ 13,822,596
Other Contributions	-	17,390,808	-	17,390,808
Other Revenue	892,643	32,761	-	925,404
Net Assets Released from Restrictions	3,347,735	(3,347,735)	-	-
<b>Total Revenues and Support</b>	<u>18,062,974</u>	<u>14,075,834</u>	<u>-</u>	<u>32,138,808</u>
<b>Expenses:</b>				
Program Expenses				
Support for Athletics Department Activities	13,149,714	-	-	13,149,714
Support for Sports Programs and Other Restricted Expenses	3,347,735	-	-	3,347,735
General and Administrative Expenses	2,759,084	-	-	2,759,084
<b>Total Expenses</b>	<u>19,256,533</u>	<u>-</u>	<u>-</u>	<u>19,256,533</u>
<b>Increase (Decrease) in Net Assets</b>	(1,193,559)	14,075,834	-	12,882,275
Reclassifications	11,929,750	(11,962,511)	32,761	-
<b>Net Assets at Beginning of Year (As Restated)</b>	<u>5,409,009</u>	<u>28,569,509</u>	<u>-</u>	<u>33,978,518</u>
<b>Net Assets at End of Year</b>	<u>\$ 16,145,200</u>	<u>\$ 30,682,832</u>	<u>\$ 32,761</u>	<u>\$ 46,860,793</u>

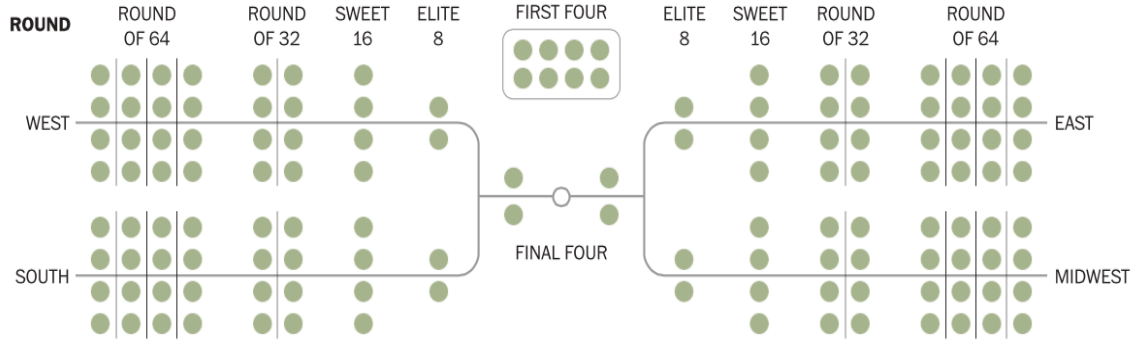
**OLE MISS ATHLETICS FOUNDATION**  
**Schedules of Revenues**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Unrestricted Membership Contributions:		
Baseball Memberships	\$ 1,726,934	\$ 2,591,983
Basketball Memberships	849,271	1,361,605
Football Memberships	11,074,153	11,910,122
General Membership	172,238	87,871
<b>Total Unrestricted Membership Contributions</b>	<u>\$ 13,822,596</u>	<u>\$ 15,951,581</u>

## APPENDIX B: NCAA MARCH MADNESS PAYOUT

### Playing for more than pride

The 68 teams in this year's tournament are playing for an estimated **\$220 million** the NCAA will split up among the 32 conferences. How much money each conference gets depends on how many units its teams earn. This year, **132 units** are up for grabs.



UNIT AWARDED	2015	2016	2017	2018	2019	2020	2021
	○	●	●	●	●	●	●
		\$260.5K	\$265.7K	\$273.2K	\$280.8K	\$289K	\$297.1K

Each **unit** awarded guarantees a yearly payment from the NCAA to the conference for six years. Every unit a team picks up this year will win its conference a projected **\$1.67 million** over six years.

Source: Will Hobson, "Fund and Games" (2014)

APPENDIX C: 2014 NCAA FINANCIAL STATEMENTS

**NATIONAL COLLEGIATE ATHLETIC ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES:</b>				
Television and marketing rights fees	\$ 753,595,560	\$ -	\$ -	\$ 753,595,560
Championships and NIT tournaments	114,846,763	-	-	114,846,763
Investment income—net	81,819,817	452,004	-	82,271,821
Sales and services	28,324,776	-	-	28,324,776
Contributions—other	-	3,000,000	-	3,000,000
Contributions—facilities—net	-	6,990,592	-	6,990,592
<b>Total revenues</b>	<b>978,586,916</b>	<b>10,442,596</b>	<b>-</b>	<b>989,029,512</b>
<b>RECLASSIFICATIONS:</b>				
Temporarily restricted resources used for occupancy costs	4,885,482	(4,885,482)	-	-
Temporarily restricted resources used for program services	728,231	(728,231)	-	-
<b>Total reclassifications</b>	<b>5,613,713</b>	<b>(5,613,713)</b>	<b>-</b>	<b>-</b>
<b>EXPENSES:</b>				
Distribution to Division I members	547,070,052	-	-	547,070,052
Division I championships, programs, and NIT tournaments	98,145,966	-	-	98,145,966
Division II championships, distribution, and programs	34,747,363	-	-	34,747,363
Division III championships and programs	28,727,905	-	-	28,727,905
Association-wide programs	158,148,811	-	-	158,148,811
Management and general	41,740,861	-	-	41,740,861
<b>Total expenses</b>	<b>908,580,958</b>	<b>-</b>	<b>-</b>	<b>908,580,958</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>75,619,671</b>	<b>4,828,883</b>	<b>-</b>	<b>80,448,554</b>
<b>CHANGE IN NET ASSETS ATTRIBUTED TO NONCONTROLLING INTEREST</b>	<b>68,256</b>	<b>-</b>	<b>-</b>	<b>68,256</b>
<b>CHANGE IN NCAA NET ASSETS</b>	<b>75,687,927</b>	<b>4,828,883</b>	<b>-</b>	<b>80,516,810</b>
<b>NCAA NET ASSETS—Beginning of year</b>	<b>589,069,807</b>	<b>38,105,468</b>	<b>150,000</b>	<b>627,325,275</b>
<b>NCAA NET ASSETS—End of year</b>	<b>\$ 664,757,734</b>	<b>\$ 42,934,351</b>	<b>\$ 150,000</b>	<b>\$ 707,842,085</b>



## NCAA Fair Value of Investments (2014)

	Level 1	Level 2	2014
Money market funds	\$ 44,346,847	\$ -	\$ 44,346,847
Domestic pooled equity funds	-	140,814,314	140,814,314
International pooled equity funds	-	79,896,694	79,896,694
Domestic mutual funds	34,297,558	-	34,297,558
International mutual funds	94,185,451	-	94,185,451
Global investment funds	38,697,059	-	38,697,059
U.S. government securities	-	57,941,623	57,941,623
Government fixed income funds	-	388,919	388,919
Corporate fixed income funds	117,266,099	1,353,720	118,619,819
Fixed income securities	-	36,365,806	36,365,806
Hedge funds	-	15,811,915	15,811,915
Bank loans	-	19,948,251	19,948,251
	<u>\$ 328,793,014</u>	<u>\$ 352,521,242</u>	<u>\$ 681,314,256</u>

## NCAA Unrestricted Net Assets

As of August 31, 2014 and 2013, unrestricted net assets include the following designations:

	2014	2013
Association-wide operating reserve	\$ 98,500,000	\$ 92,500,000
Quasi-endowment reserve	385,476,038	326,207,345
Division II reserve	31,609,183	27,058,695
Division III reserve	18,310,554	18,805,410
Contracted commitments	21,707,736	23,693,300
Furniture, technology, and properties	18,324,000	27,489,742
NCAA facilities improvement reserve	-	10,681,975
College Football Officiating, LLC	638,044	377,682
Arbiter and ESO	1,449,223	1,486,799
Available for operations and distributions	<u>88,742,956</u>	<u>60,768,859</u>
Total NCAA unrestricted net assets	<u>\$ 664,757,734</u>	<u>\$ 589,069,807</u>