

THE ETHICAL AND FINANCIAL IMPLICATIONS OF PAYING COLLEGE
ATHLETES

by

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ATHLETES

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ABSTRACT

The debate on whether or not to pay college athletes has been and will continue to be argued for many years. College athletics impacts the lives of its athletes, the fans, and the communities surrounding the schools. College athletes' and traditional students' extracurricular activities differ greatly based on a variety of factors, such as the NCAA's rules and regulations. The significant hours and revenues generated by student athletes' extracurricular activities have created the discussion of compensation for student-athletes. There are many ethical arguments in the debate to pay student-athletes, such as the vast pay differences and benefits that coaches receive and the amount of money that universities generate from student-athletes' work. There is also a legal argument in compensating student-athletes based on whether or not a college athlete meets the legal definition of an *employee* of the university.

After analyzing the different ethical and legal issues of the debate, I calculate a revenue-sharing option and a wage option for student-athletes compensation. In order to examine the likely impact that compensation would have at various levels of the NCAA, the schools I analyzed are Ohio State University, the University of Houston, and South Dakota State University, and the sports I used are football, men's and women's basketball, and volleyball. Based on my research, smaller schools' athletics departments would need to make significant changes to their budgets in order to compensate their athletes because their athletics department's net income is negative. There is still more work to be done discussing the ethical and financial implications of paying student-athletes and the impact it would have on the schools. More research should especially be done with different compensation options to discover the best solution to be implemented if student-athletes are ever to be granted compensation in the future.

INTRODUCTION

College athletics are an integral component of the university experience at the majority of Division I schools across the country. Athletics departments of these schools oversee a variety of sports ranging from football to track. Student-athletes that participate in these college sports work tirelessly because they represent not only themselves but also their schools. Their hard work, long hours and their large contributions, both to schools' revenues and the publicity they receive, are just some of the reasons there continues to be a discussion about student-athlete compensation.

Title IX is a federal law created in 1972, which “prohibits sex discrimination in education programs that receive Federal financial assistance” (*NCAA.org*) Title IX applies to athletics programs at universities through the following: equal opportunities for men and women to play sports, scholarship dollars that are comparable to the athletic participation for women and men student-athletes, and equal treatment for men and women through other benefits, such as equipment, travel, coaches, and locker rooms (*NCAA.org*). The university chooses how to allocate the scholarships, which is however they see fit. Often, the large number of scholarships for football creates the need for schools to offer more women's sports programs, which can hurt athletics' revenues because women's sports lose athletics money. An implication of Title IX is that a decision to pay student-athletes would not just affect football and basketball players, but rather all athletes.

When researchers analyze the issue of paying college athletes, understanding the relationship among the student-athlete, the university, and the NCAA, also known as the National Collegiate Athletic Association, is critical. The NCAA imposes a variety of rules and regulations governing the universities, their sports, and student-athletes. The rules include the

number of scholarships each sport can grant, practice schedules, and student-athlete conduct. Athletics departments bring in millions of dollars of revenue for their individual schools, the conferences they are a part of, and the NCAA. The evolution of the NCAA over its history has shaped college athletics and the lives of student-athletes today.

The NCAA has been at the core of college athletics since its founding in 1906. Over time, it has grown into the powerhouse that it is today—controlling almost every aspect of competitions and competitors. The NCAA is a private, voluntary, member-controlled association with over 1,200 members (*NCAA.org*). The NCAA’s initial purpose was to address the brutal nature of football and concerns over amateurism that was prominent in the game at that time. The foundation of the organization was established to maintain the integrity of the sports and the amateurism of the players. In 1948, the NCAA adopted the “Sanity Code,” which defined the five principles of amateurism: “covering financial aid, recruitment, academic standards for athletes, institutional control and the principle of amateurism itself” (Parasuraman, 2007).

Amateurism began as a way to benefit and protect the athlete; however, over the years, critics have debated whom it truly benefits today, the athlete or the NCAA. To understand the emphasis that the NCAA places on amateurism, one needs to look no further than the very title used to describe college athletes as “student-athletes.” The president of the NCAA coined the phrase “student athlete” in the early 1950’s as a successful attempt to prevent athletes from qualifying for workers’ compensation (Fitt, 2009). Today, the NCAA claims that using the phrase “student-athlete” aims to ensure that academics comes first and amateurism stays a priority, which they believe will benefit the athlete (*NCAA.org*). However, due to the changing reality of college sports and the rules that college athletes must endure while they are generating millions of dollars for their schools, the implications of paying college athletes is a topic worthy

of discussion and one which critics continue to discuss, especially in the search to find feasible solutions to it from a financial perspective (Rotthoff, 2016).

I explore the current literature with three aspects of student-athlete compensation in mind: the differences between student-athletes and traditional students, the discrepancies between financial benefits to coaches and players, and finally the definition of *employee* and how it applies to the student-athlete. Analyzing these three aspects sheds light on the different legal and ethical implications of the issue of paying college athletes. Finally, I will look at the financial implications of paying student-athletes at three different schools based on their publically available financial data and discuss the real world implications of these analyses.

I used a revenue-sharing option of 10% of athletic revenues and a \$10 student worker wage option and applied it in analyzing three schools: The Ohio State University, the University of Houston, and South Dakota State University; and four sports: football, men's and women's basketball, and volleyball. The revenue-sharing option demonstrated that bigger schools that generate more revenue, such as Ohio State, would have more money in compensation to offer student-athletes, which can influence how high school athletes choose which college to attend. The wage option included more factors, such as the number of hours in-season and out-of-season each sport played and the number of scholarships each sport can offer. The wage option also favored larger schools; however, when I compared the budgets for compensation to the different schools' net incomes, smaller schools like University of Houston and South Dakota State are operating on negative net incomes. If schools were to compensate their athletes in the future, smaller schools would need to make large adjustments within their budgets to be able to effectively operate.

While the debate on paying college athletes is often argued ethically, there is still more research to be conducted on feasible financial options that could be put into place if it were to ever be allowed. My research explores two compensation options that could be implemented if compensation was incorporated into college athletics, and these options still require more research to be conducted to ensure the best methods to use. The compensation options I analyzed provide a base for how compensation could greatly affect athletics departments, which would require large adjustments within schools' athletics budgets.

LITERATURE REVIEW

A Comparison Between Student-Athletes and Traditional Students

The first perspective that one must consider when examining the implications of compensating student-athletes is how the athletes compare to traditional students. At first glance, the extracurricular efforts of student-athletes and those of normal students can seem comparable—both put in significant time investments and both are choosing their extracurricular activity voluntarily. In addition, both must balance the demands of their academic endeavors and their extracurricular activities. When approaching this issue macroscopically, one can see the logic to not compensate student-athletes for their extracurricular contributions just as universities do not compensate normal students participating in extracurricular activities, which can include a variety of activities ranging from debate club to a university sponsored theatre production. Although this conclusion seems logical, in reality student-athletes and normal students participating in extracurricular activities face vastly different circumstances, which is a large reason why the argument for compensation that critics argue for athletes arises.

Student-athletes differ from traditional students in their “extracurricular activity” in a variety of ways. First, sports teams require their student-athletes to dedicate a significant time commitment to their craft, which can often be greater than the hours that traditional students contribute to their extracurricular activities. The average student reports spending an average of five to six hours on their extracurricular activities a week while the average athlete contributes at least twenty hours a week during the off-season and as high as forty hours during the season, not including any travel time for athletic events (Jensen, 2014). Student-athletes’ rigorous schedules especially impact the academics aspect of their lives. For example, in an interview, Richard Sherman, a current player for the Seattle Seahawks and former player for Stanford, says, “I don’t think college athletes are given enough time to really take advantage of the free education that they’re given [due to their schedules]... You’re not on scholarship for school and it sounds crazy when a student-athlete says that, but those are the things coaches tell them every day: ‘You’re not on scholarship for school’” (*Sports Illustrated*, 2015). Traditional students have the luxury of organizing their schedules as they see fit to give themselves time during the day to study or for their extracurricular activities. College athletes, however, do not have that freedom. Coaches and athletes know quite well that athletics is the utmost priority and can often take precedent over academics for the student-athlete (Molotsky, 1988).

Furthermore, for most extracurricular activities, many traditional students are free to take time away from the organization or even quit the organization with little consequence. Meanwhile, many student-athletes heavily depend on their sport to maintain their scholarship, and many cannot attend school without it (Seunghyun, 2016). In addition, in most cases, student-athletes lose a year of eligibility to play their sport if they transfer to another school. Finally, universities do not even guarantee the student-athlete their scholarship for four years because

“Scholarships are one year deals and depending on the competitiveness of the program, coaches will sometimes not renew the scholarships of athletes who aren’t contributing to the team”

(Athletics Scholarships).

The fact that their scholarship depends on their athletic performance and continuing to participate in their respective sport, even if injured, provides insight into the impact that athletics has on their academics. With a scholarship on the line, student-athletes often spend more time than required on their sports in order to continually improve and impress their coaches, which affects their prospects for activities outside of their sports and the classroom, such as a part-time job. Fortunately, this harsh reality of one-year scholarships is starting to change, with several major programs offering four-year scholarships and most schools honoring the scholarships of players deemed medically ineligible. However, these changes are neither mandated nor universal within college athletics.

Admittedly, some traditional students participate in extracurricular activities with similar time and scholarship requirements, such as theatre students and marching band members. Beginning with theatre students, they have similar schedules to athletes with regards to their significant time commitments; however, these groups differ in key ways, in particular the strict guidelines the NCAA imposes on athletes, which makes it reasonable to compensate one group and not the other. Next, with marching band members, the main difference between marching band members and student-athletes is that universities can pay marching band members. For example, the LSU Tiger Marching Band, which includes not only its band members but also Color Guard and Golden Girls, LSU’s dance line, receive a \$1,000 service award stipend in the fall semester *(LSU Bands)*.

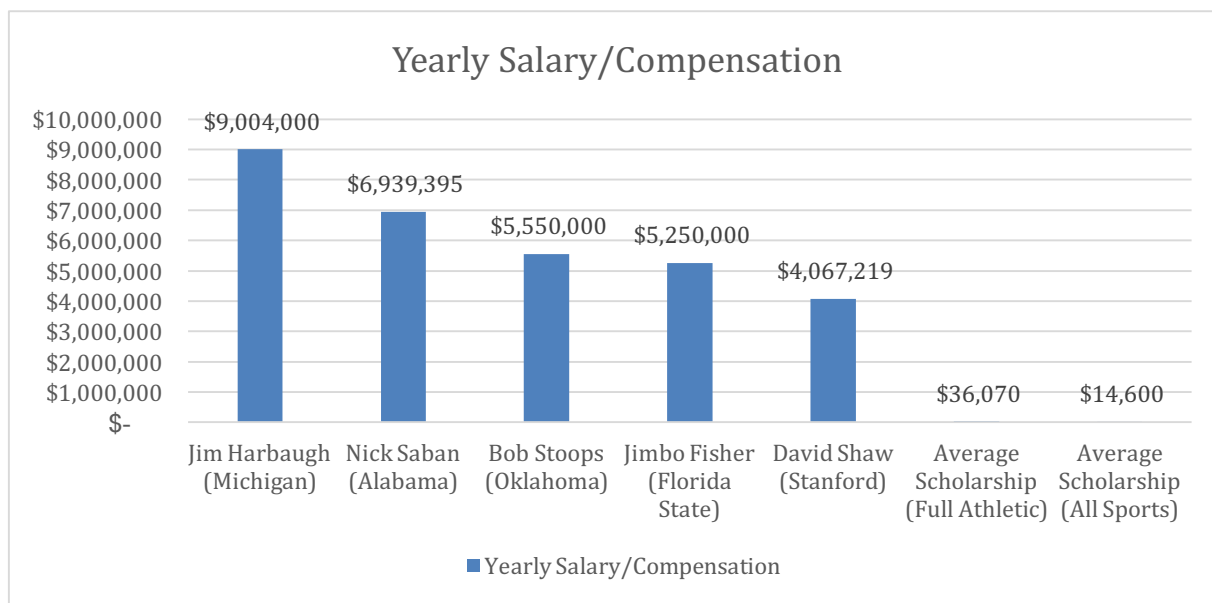
The NCAA and universities expect student-athletes to carefully follow a 500-page manual, and failure to do so can jeopardize the athlete's eligibility, their prospects at the professional level, and even the university itself. These rules cover everything from what athletes can and cannot receive, their potential to subsidize their income, and their practice schedules (*NCAA.org*). Both the university and the NCAA enforce these rules, which dictate almost everything in an athlete's life. The rules are arduous, and the athlete is accountable for all of them. The NCAA prohibits student-athletes from receiving a multitude of benefits for their performances and notoriety that other students are able to receive, and the NCAA's ban on benefits can often have a large negative impact on student-athletes. At times benefits that athletes cannot receive can be as simple as basic human decency. For example, Shabazz Napier, a former basketball player for the University of Connecticut, said, "We do have hungry nights that we don't have enough money to get food in. Sometimes money is needed. I don't think you should stretch it out to hundreds of thousands of dollars for playing, because a lot of times guys don't know how to handle themselves with money. Sometimes, there's hungry nights where I'm not able to eat, but I still gotta play up to my capabilities" (Sherman, 2014). Traditional students are free to receive basic amenities such as meals from others, but student-athletes must consider the rules of the NCAA before accepting any additional benefit.

While student-athletes cannot receive compensation for playing, they often cannot work a part-time job because of the extensive time they must devote to their respective sport and schoolwork. The NCAA prohibits student-athletes from benefiting even from their own likeness, meaning they cannot endorse products, sign autographs for compensation, or receive payment when corporations such as ESPN use athletes' images to profit themselves. On the other hand, theatre students are free to profit off of their own efforts when possible, meaning they could

endorse a local product or star in a commercial—a luxury not afforded to college athletes. Because of the great differences between college athletes and traditional students, critics consider the extracurricular efforts student-athletes for compensation. Unfortunately, the inconsistencies between the rules that apply to the student-athlete and to other members of the university system do not stop at the traditional student.

The Discrepancies Between College Coaches and Student-Athletes

The disparity between the rules and compensation afforded to athletes and athletics staff, such as athletic directors and coaches, further tips this balance and contributes to the marginalization that athletes face. In 2011, the average salary for a head coach in college football was \$1.64 million, with larger programs closer to \$4-5 million (Brady, 2012). Today, those numbers are steadily rising even higher, with head coach Jim Harbaugh of the University of Michigan earning just over \$9 million. Often, assistant coaches can make over \$500,000 during a season. To put this monetary disparity into perspective, one year's salary for Jim Harbaugh could fund scholarships for all 85 players of the football team at the University of Michigan for eight years. Furthermore, the head coach of the University of Oklahoma (OU), Bob Stoops makes the equivalent of OU's annual tuition for one student every two days (Schwab, 2013).










Source: *USA Today Sports*. The data presented in *USA Today Sports* is from over 225 public schools in NCAA's Division I who are obligated to release their revenue and expense reports.

Coach Stoops is not the exception to the rule either. College coaches and other athletics staff consistently make annual salaries in the hundreds of thousands of dollars while their student-athletes receive no monetary compensation. Many people tend to consider just college football in the equation of paying athletes or not, and while football is an important component to consider, it is worth noting that unlike football, many NCAA sports do not give full scholarships, which pushes the divide between coaches and players even deeper.

In addition to their disproportionate salaries, the NCAA does not hold coaches to the same standards in regards to their marketing rights and capitalizing on their status. Coaches often have arrangements that provide revenue streams from endorsements, autographs, and other means, which the NCAA prohibits student-athletes from receiving. Meanwhile, the university, the NCAA, and the major TV networks are free to use the athlete's likeness and image for their own gain (Nestel, 1992). The NCAA is a multi-billion-dollar organization, with just this recent

March Madness generating close to a billion dollars, with 81% of their revenue coming from TV and marketing rights that the NCAA does not afford to athletes (Sperher, 2011). Not only is the NCAA profiting from college athletes, but so are the universities. The following is a chart created from data from *USA Today Sports*, which shows the revenue generated by the top school in some of the conferences from Division I athletics in the 2014-2015 year.

| Athletic Conference | University | Revenue Generated (FY: 2014-2015) |
|---|---------------------------|--|
|  | Texas A&M University | \$192,608,876 |
|  | University of Texas | \$183,521,028 |
|  | Ohio State University | \$167,166,065 |
|  | Florida State University | \$120,822,522 |
|  | University of Oregon | \$105,701,523 |
|  | University of Connecticut | \$75,155,798 |
|  | Air Force | \$50,191,669 |

Universities are often generating hundreds of millions of dollars off the efforts of the student-athletes at their respective schools. The previous table shows that even smaller schools, such as the University of Connecticut and Air Force, are receiving tens of millions of dollars.

Finally, coaches subject student-athletes to large time requirements, and the NCAA creates rules and regulations, such as the inability to leave their activity without punishment, that heavily benefit the coach, university, and NCAA at the expense of the player. The fact that these rules do not apply to coaches who can make millions of dollars and that student-athletes' academic endeavors are often second to their athletic contributions creates an imbalance between the power of the university and the leverage of the athlete. This imbalance of power is particularly concerning from an ethical and legal perspective regarding the NCAA's classification of the athlete as a non-employee.

Employer-Employee Classification Application to Student-Athletes

The NCAA maintains that athletes are students first and athletes second, as stated in their name "student-athlete." However, how true does the NCAA's definition of a student-athlete translate to the reality of college athletes' lives? For many players, the stakes of their competition are high, and the athlete is under constant pressure from the university, the fans, and the coaches. In addition, many of the scholarships that athletes receive are not full scholarships, and coaches can potentially revoke an athlete's scholarship on a yearly basis. For many athletes who rely on their scholarship to attend a university, the consequences of failure or injury are extremely serious. According to the NCAA, as many as 25% of student-athletes are first-generation college students, and many of the athletes report that they would not be able to attend a four-year university without a scholarship (Patrick, 2008). College athletes risk injury and permanent disability with every practice and game. An injury can impact their future earnings if they are lucky enough to go professional, or it can even impact their future health. With an injury, players can lose their scholarship if they can no longer play. If a player were injured, coaches would still require the student-athlete to participate in all team activities such as film, practice, and workouts

even if a trainer or a doctor deems him medically unable to play just to maintain his scholarship (Leppler, 2014). For these reasons, critics decided to discuss the notion of classifying student-athletes as employees.

According to the IRS, the definition of an *employee* is as follows: “anyone who performs services for you is your employee if you can control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed” (*IRS.gov*). Under this most basic definition of an employee, student-athletes do qualify as employees. So, how can the NCAA and universities not classify student-athletes as employees and allow them to receive the benefits afforded to this classification? The idea of amateurism is what prevents student-athletes from being considered employees and being entitled to compensation. The NCAA requires student-athletes to be certified as amateurs, which prohibits them from receiving a multitude of benefits and compensation. The NCAA’s decision to classify college athletes as amateurs is a way to prevent them from receiving compensation, and the rule of amateurism and the NCAA strive to make it seem like athletes should not be entitled to compensation; however, especially in today’s age of sports, college athletes could potentially have legal grounds to claim themselves as employees of the school and receive compensation.

Under the National Labor Relations Act, or the NLRA, to be an employee, a person must meet both common law test and a statutory test. According to a study done by McCormick, student-athletes pass the common law test because “their daily burdens and obligations not only meet the legal standard of employee, but far exceed the burdens and obligations of most university employees” (McCormick, 2006). He goes on to explain that the athletes’ work hours are often longer than some university employees and that they often work during times when

standard employees do not, for example the holidays and over the summer break. Not only do college athletes meet the common law test, but they also meet the statutory test because “the relationship between these athletes and their universities is not primarily academic, but is, instead, undeniably commercial” (McCormick, 2006). McCormick explains that the athlete-university relationship is commercial due to the vested interest the university has in athletes’ athletic success and not their academic success.

College athletes serve a commercial purpose for their coaches, universities, and the NCAA through the large amounts of revenues that they generate. Their priority is to focus on their sports rather than school. This priority of athletes’ is a common agreement amongst college athletes but is also evident in the rules that the NCAA has put in place. For example, the NCAA only requires college basketball players to play at the collegiate level for one season. It is nearly impossible to obtain a college degree in this time, and this reality challenges what the NCAA has maintained for so long in their claimed priority of the student-athlete’s academics. If the primary purpose and role of a student-athlete is to earn an education, then the rules should reflect this purpose and rule. For other sports, such as football and baseball, the rule is three years, which is a more realistic timeframe for getting a degree but still a challenge for even a student without the burden of a college athlete’s schedule.

Those who oppose paying student-athletes have consistently made the argument that an education is their payment and therefore no additional compensation is necessary. In addition, they argue that compensation would take away from the nature of the game (Fort, 2017). They will often cite that a college education can be worth hundreds of thousands of dollars and that a degree substantially increases athletes’ earning potential in the workforce with their degree. While these arguments seem valid at first glance, as discussed previously, so many student-

athletes cannot take advantage of the opportunities given to them academically due to their intense athletics schedules. In addition to the NCAA's rules, which can set forth a precedent for the student-athlete to not solely focus on earning their degree, the individual universities often pressure students into taking easier classes or simply push through good grades to keep them eligible (Routon, 2014). While many do in fact graduate, coaches or even the university often pressure student-athletes into choosing easier majors that will maintain their eligibility and not necessarily set them up for success after school.

Nowhere has this type of pressure on athletes been more evident than at the University of North Carolina. A recent investigation revealed that the university continually forged grades, enrolled students in fake classes, and graduated student-athletes who did not meet the requirements of the university. Although the investigation is still active, an independent study sanctioned by the university determined that for over 18 years at least 3,100 students took essentially nonexistent classes (Wainstein, 2014). While the NCAA does not allow this type of behavior that the University of North Carolina partook in, the reality is that it did occur and that something similar has occurred at other schools on some level. The NCAA has still yet to impose sanctions on the university.

The issue of scholarships is also a factor in the argument for compensation. Considering a scholarship as payment for athletes is not a reality due to the disparity of what student-athletes are actually receiving versus what critics claim they do, especially since not all athletes receive full scholarships. Each sport has a maximum number of scholarships that it can offer, and it can break them up however the coaches see fit. The way scholarships are broken up results in the average scholarship for student-athletes being around \$14,000-\$15,000, and much lower if you exclude football and basketball, for which the NCAA requires schools to offer full scholarships

(*Scholarship Stats*). This reality contradicts the notion that athletes are receiving payment through their education.

Summary

Because of the circumstances that the NCAA and the schools place athletes under, critics argue for some form of compensation to subsidize their efforts. Student-athletes must endure strict and tiring schedules that many traditional students or even a student engaging in significant extracurricular involvement do not experience. In addition, they must follow the rules and regulations of the NCAA that disadvantage them greatly and impose unacceptable burdens on the athlete that traditional students and coaches must adhere to (Richard, 1970). Finally, ignoring the ethical issue of paying student-athletes, from a simply legal prospective, the student-athlete qualifies for the minimum definition of an employee by both the IRS and the National Labor Board.

While many agree with the notion that student-athletes should receive compensation, the agreement ends when discussing how to pay them, how much to pay them, and how to address the complex challenges that exist in implementing such a system. In this thesis, I approach the issue of compensation by addressing the shortcomings of the current NCAA system and the differences that exist between the various universities (Sperber, 2011). I then propose some solutions to these problems and offer some suggestions of future studies that would be helpful in continuing this discussion. The concept of compensating student-athletes is by no means simple, and it requires addressing numerous aspects from the history of the NCAA, to the realities that student-athletes face daily, and finally the repercussions of such a decision both ethically and financially. While there are numerous methods I could implement in this analysis, I will be

utilizing a sensitivity analysis highlights the current landscape of the issue and illustrates the financial implications that would be at stake if universities were to compensate student-athletes.

METHODS




A school could allocate payment to student-athletes in many ways. One way would be a revenue-sharing option, through which the university would dedicate a percentage of the athletics department's revenues to the student-athletes. Alternatively, a wage option is much more complex because of the different components it requires to be calculated, such as the amount of the wage, the hours for in-season and out-of-season, and number of scholarship players for each sport. I analyze both options using a sensitivity analysis to understand the impact of each compensation method for three Division I schools using would have on them. I chose three Division I schools that varied in size and the degree of the intensity, strength, and notoriety of their athletics programs to view how the sensitivity analysis would affect schools with different attributes. The three schools I chose are Ohio State University (Ohio State), University of Houston (U of H), and South Dakota State University (SDSU).

Revenue-sharing Option

Many critics who argue in favor of a compensation method for student-athletes place a high emphasis on the fact that the athletics departments of the universities are generating substantial amounts of revenue while the athletes receive none of these earnings. A basic approach to a compensation method for college athletes would be a revenue-sharing option. This option entails deciding on a percentage that would be applied to athletics departments' revenues and then distributing this amount to all college athletes as a form of payment. The *Loyola of Los Angeles Entertainment Law Journal* conducted a study with revenue-sharing for college athletes

by applying a specific percentage of each sport's revenues based on the year the player is in school, for example, 1% for fourth year athletes, 0.75% for third year athletes, 0.50% for second year athletes, and 0.25% for first year athletes. Also, if the sport did not make a profit, then their scholarship would be their sole form of payment (Acain, 1998). However, for this study, I decided on a fixed percentage of all athletics revenue for all scholarship athletes because with Acain's study, the revenue-sharing payment would mainly distribute to men's sports, such as football and men's basketball, which earn profits, while most female sports do not. Only distributing revenue to these sports would not be fair or ethical because many college athletes undergo similar difficulties in their sports with how hard they work and the time they spend on their sports. It would also not be practical for the athletics department because if only a few sports were to be paid, there would be less incentives for athletes to participate in the sports that are not paid, which would significantly reduce the number of sports offered at colleges.

For this option, I use a 10% revenue sharing approach and apply it to the three Division I schools I am using for my experiments. The following table shows their athletics revenues for the year 2014-2015 based on data collected by *USA Today Sports*.

| Schools' Revenues | | | |
|-------------------|--|---|---|
| | Ohio State University  | University of Houston  | South Dakota State University (SDSU)  |
| Total Revenue | \$167,166,065 | \$44,815,210 | \$16,393,101 |

Wage Option

A wage option would require schools to decide upon an hourly wage they could pay their student-athletes. Deciding on an hourly wage is a difficult process because no benchmark exists that is the most effective. For this study, I decided to assume student-athletes are paid the hourly wage of a student employee. According to The Ohio State University Office of Human Resources, “the basis for student employment is to help meet the needs of the university and provide university students with financial support in pursuit of their academic goals....” The Ohio State HR office also defines a student employee as someone who is “enrolled at the university on a full-time or part-time basis, appointed to a position designated as student employment, and associated with the university primarily in the pursuit of an academic degree” (The Ohio State University, 2014). Student-athletes meet all of the qualifications for a university to classify a student-athlete as a student employee of their university. According to *Glassdoor*, on average, a student worker makes \$10 an hour. One should remember that the compensation debate for student-athletes often argues for just some form of monetary compensation that can help these athletes a little bit more than what they are receiving now, rather than amounts comparable to professional athletes’ salaries.

After deciding on the schools, I decided to choose four sports, two men’s and two women’s to view how payment would affect both men’s and women’s sports, and to begin to understand the impact a wage option would have on an entire athletics department of over 20 sports. The men’s sports I chose are football and basketball, which on average bring in the most revenue for their schools (*NCAA Publications*). The women’s sports I chose are basketball and volleyball, and while these sports are non-generating revenue sports, they are the frequently

sponsored women's sports among universities (*NCAA.com*). With each sport, I determined how many players participate in each sport and how many hours they play per week.

While players reported practicing and playing over 40 hours per week during their seasons, this commitment varied across sports, and athletes can spend these hours on a variety of activities, ranging from games, practices, film, and travel. For the sake of consistency across sports, I decided to begin my study by using the maximum hours the NCAA dictates players can spend on their sport in-season, which are 20 hours per week and 8 hours per week out-of-season. The NCAA has strict guidelines on what activities in a sport they consider countable versus hours that are not countable, and these hours contribute to the maximum amount of hours athletes can spend on athletics. Some countable hours include the following: practices (not more than 4 hours per day), meetings required or initiated by coaches, competition (count as 3 hours regardless of length), required weight-training and conditioning activities, required participation in camps/clinics, discussion or review of game films, and more (*NCAA.org*).

Some examples of hours that would not count include the following: compliance meetings, meetings with a coach initiated by the athlete, travelling to and from the site of a competition, attending banquets, fundraising activities, and more (*NCAA.org*). For out-of-season weeks, according to the NCAA, a student-athlete may not participate in any countable athletically related activities during the summer (outside of the declared playing season). Due to this rule, I decided that out-of-season weeks would then be the weeks during the academic year that the players are not in-season. On average, there are 32 weeks in a college academic year, so to find the out-of-season weeks, I would subtract each sport's season length from the 32 total weeks.

My study's primary focus is on any countable hours spent on their athletics participation and not including hours spent on academics because the revenue generated by schools derives from their athletics' contributions. To approximate the number of players per team, I used the maximum number of scholarship players each team can have. I chose this approach because this amount will not fluctuate on a yearly basis or by team, and most schools will use their entire number of scholarships. Also, many teams will not reach the maximum number of players they can have on a team because more players and walk-ons do not necessarily equal better quality and thus can actually be costly for the team.




While the NCAA dictates how many hours student-athletes should practice or play their sports, how true is this maximum hour count in the athletes' lives? The NCAA conducted a study for the 2015 season through a survey among student-athletes to get a more realistic view of how much time college athletes were actually spending per week on their sports. These numbers are much greater than the 20-hour maximum amount for countable hours with the following data: men's basketball players devote 34 hours, football players devote 42 hours at FBS schools and 41 hours at FCS schools, and women's basketball players devote 35 hours. The NCAA's report grouped other women's sports besides basketball into one category, so I classified volleyball under this category, which reported players devoting 32 hours (*NCAA Research*, 2016).

The survey, however, did not indicate specific numbers for hours spent on athletics out-of-season; the out-of-season survey focused solely on whether student-athletes reported spending as much time or more on athletics out-of-season and more than half of student-athletes for each sport did, with women's sports and basketball reporting 59%, men's basketball at 71%, and football for FBS schools at 76% and for FCS schools at 71% (*NCAA Research*, 2016). Because I did not have concrete numbers for hours out-of-season, I decided to focus my attention on the

hours in season conducted in the survey. I chose to calculate the same payment calculations as I did with the countable hours with these survey hours to understand the vast time differences and the impact such discrepancies can have on the athletics departments.

The following are tables that demonstrate the different season lengths and the amount of scholarship players for each of the four sports created with data from the NCAA website and its bylaws.




| Season Length | |
|----------------|--------------------------|
| | Across All Three Schools |
| Football | 20 weeks |
| Basketball (M) | 24 weeks |
| Basketball (W) | 24 weeks |
| Volleyball | 19 weeks |

| Number of Scholarship Players | | | |
|-------------------------------|---|---|--|
| |  |  |  |
| Football | 85 | 85 | 63* |
| Basketball (M) | 13 | 13 | 13 |
| Basketball (W) | 15 | 15 | 15 |
| Volleyball | 12 | 12 | 12 |

*SDSU football is classified as FCS (Football Championship Subdivision) school while Ohio State and U of H are classified as FBS (Football Bowl Subdivision) schools. The classification affects the amount of football scholarships they receive.


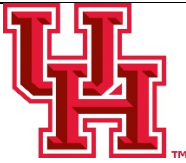

RESULTS

Applying a 10% revenue-sharing option to each of these school's revenues would give the following budgets to pay all of the student-athletes at each school.




| Revenue-sharing Option (10%) | | | |
|------------------------------|--|---|--|
| |  |  |  |
| Total Revenue | \$167,166,065 | \$44,815,210 | \$16,393,101 |
| 10% applied to revenue | \$16,716,606.5 | \$4,481,521 | \$1,639,310.1 |
| Remaining Revenue | \$150,449,458.5 | \$40,333,689 | \$14,753,790.9 |




With the wage option, I applied the \$10 wage to both the in-season and out-of-season weeks. I took the in-season weeks of each sport then multiplied it by 20 hours per week and then multiplied that amount by the number of scholarship players. I then added this amount to the total from out-of-season weeks, which I calculated by multiplying the wage by 8 hours by the number of weeks left in the academic year (total of 32 weeks – season length) by the number of

scholarship players. The following table reflects the total payments to the players of the four sports for one academic year.

| Total Payments Using Countable Hours to Student-Athletes for One Year (32 weeks) | | | |
|--|---|--|---|
| |  |  |  |
| Football | \$421,600 | \$421,600 | \$312,480 |
| Basketball (M) | \$70,720 | \$70,720 | \$70,720 |
| Basketball (W) | \$81,600 | \$81,600 | \$81,600 |
| Volleyball | \$58,080 | \$58,080 | \$58,080 |
| Total: | \$632,000 | \$632,000 | \$522,880 |

I then used this same process but applied it to the survey hours collected by NCAA Research but only applied it to in-season weeks to produce the data in the following table.

| Total Payments Using Survey Hours to Student-Athletes for In-Season Weeks | | | |
|---|---|--|---|
| |  |  |  |
| Football | \$714,000 | \$714,000 | \$516,600 |
| Basketball (M) | \$106,080 | \$106,080 | \$106,080 |
| Basketball (W) | \$126,000 | \$126,000 | \$126,000 |
| Volleyball | \$72,960 | \$72,960 | \$72,960 |
| Total: | \$1,019,040 | \$1,019,040 | \$821,640 |

| Athletics Departments' Net Income | | | |
|-----------------------------------|--|---|---|
| | Ohio State University  | University of Houston  | South Dakota State University (SDSU)  |
| Total Revenue | \$167,166,065 | \$44,815,210 | \$16,393,101 |
| Total Expenses | \$154,033,208 | \$45,437,942 | \$16,417,153 |
| Net Income | \$13,132,857 | \$(622,732) | \$(24,052) |

The previous table presents data collected by *USA Today Sports* for the total revenue, total expenses, and net income of college athletics departments for the year 2014-2015.

DISCUSSION

Looking at the revenue-sharing compensation amounts for each of the four schools, one realizes that budgets vary significantly, even by millions of dollars between them. A large school like Ohio State can have an upwards of \$16.7 million as a budget to pay their student athletes while a smaller school in Division I sports such as South Dakota State only has a budget of \$1.6 million. As a result of these vast differences, a lower athletics department's revenue equates to the student-athletes receiving significant amounts less at SDSU than they could be earning at Ohio State University. These discrepancies can create issues among high school athletes who could then decide to play at universities that are larger, such as Ohio State, because these schools will be incurring more revenue and as a result, paying the student-athletes more.

Another issue with the revenue-sharing option is the fact that a large majority of the athletics revenue from a university is coming from football and men's basketball. With this reality, many could argue the fairness of then paying the same amounts to lower revenue-earning sports as the high revenue earning sports. It is also important to understand what these revenue-sharing compensations for each school are as a percentage of each athletics department's net income; however, Ohio State's net income at \$13 million is less than what their compensation would be at \$16 million, and U of H and SDSU's net incomes are both negative. Ohio State's revenue-sharing compensation would therefore be more than 100%, and U of H and SDSU's percentages would be negative. These percentages show how greatly a revenue-sharing compensation of 10% would affect the schools' net incomes and how athletics budgets would need to make significant changes in order to withstand such a compensation. For my study, I used 10% to apply to revenue; however, future researchers would have to collect more data from

more sources to find the best percentage to allocate to revenue and whether or not this percentage should be consistent across sports and the athletes.

With the wage option calculations, when I only compared the total payments to the total revenue each school incurred, this comparison creates the impression that the schools can easily afford paying their players. However, after I took a deeper look at not only their revenues but also their expenses and net income, the data portrays the great impact that paying college athletes would create. The data collected on countable hours indicates that Ohio State and U of H would be paying \$632,000 and SDSU paying \$522,880; however, these totals are only for four sports. With many schools having an upwards of 40 total sports teams, which include both men and women, the impact of paying student-athletes would be drastic, and it would be up for debate whether or not the athletics departments could afford it with how they currently operate. If not, the schools would have to make significant changes to the structure of their budgets, the amount of donations, and other sources of funding. Also, while bigger schools such as Ohio State may be able to still operate while paying their players due to their \$13 million net income, smaller schools such as U of H and SDSU, which are currently operating on negative net incomes in their athletics departments could be in trouble with payments, and if they could not afford it, could then decide to cut some sports teams.

It is important to analyze the differences in the three schools' wage compensations as percentages of both revenue and net income in order to understand how this compensation option would affect each school's athletics department. Under the countable hours compensation for a full year for the four sports, the percentage of the compensation compared to total revenue for Ohio State would be 0.38%, for U of H it would be 1.41%, and for SDSU it would be 3.19%. The larger the school, like Ohio State, the less this wage compensation would affect its revenue.

For the survey hours study conducted by the NCAA, Ohio State's compensation percentage of revenue would be 0.61%, U of H's would be 2.27%, and SDSU's would be 5.01%. These percentages increased due to the increase in survey reported hours and as a result, the compensations are more significant. However, this measure only reflects in-season hours, and therefore, the percentages would be greater when taking into account the hours that students contribute during the off-season. Although the compensations cannot be examined as a percentage of net income for the University of Houston and South Dakota State University due to these schools operating at a net loss, when looking at Ohio State's net income, compensating student athletes would make up 4.81% of the school's net income for NCAA countable hours and 7.76% of the net income if you use the reported hours by student-athletes. This is a significant financial burden which would have to be accounted for and adjusted to by any school, no matter the size, in order for student-athletes to be compensated.

The difference in payments between the countable hours study for a full academic year versus the hours reported in a NCAA study of student-athletes on the hours they spent on their sports during the season is significant. For Ohio State and U of H, their totals for the payments of just four sports while in-season would be over \$1 million, which is almost \$400,000 more than the amount calculated in the study for countable hours. This study not only reflects the great impact paying college athletes in four sports could have on an athletics budget, but it also highlights the great discrepancy in the maximum number of hours that the NCAA is letting student-athletes spend on their sports versus the actual number they report spending, which can often almost double. Future researchers need to conduct more studies and surveys to ensure that student-athletes are not being overworked or exploited in the number of hours they have to spend on their sports in addition to being a student of the university enrolled in classes

CONCLUSION

The debate of paying student-athletes encounters ethical and legal arguments, as well as the financial implications compensation would have on an athletics department. Critics argue that student-athletes should be compensated because of the vast differences between the extracurricular activities of student-athletes and traditional students. Some of these aspects include the rules that govern athletes, which prevent them from receiving monetary benefits and the time commitment, which can hinder athletes prioritizing academics and the ability to have a part-time job. Coaches receive a multitude of benefits in addition to their salaries, and the schools generate large athletics revenues, while the student-athletes receive nothing. While there are many ethical implications of not paying student-athletes, there is also a legal argument of whether or not they should actually be classified as employees of the school. In a study conducted by McCormick, it was proven that student-athletes meet both the common law test and the statutory test to be considered an employee under the NLRA.

While there are many ethical and legal reasons student-athletes should warrant receiving compensation, there are large financial implications that would exist if compensation were to be implemented within colleges. After calculating a revenue-sharing option and a wage option and comparing it to three schools and four sports at each school, it is evident that the impact that compensation would have on athletics departments would be great. For the smaller schools that are operating on negative net incomes, compensation would require the schools to make significant changes to their athletics' budgets. Future research should be conducted to understand what payment option would be best if compensation were to ever be incorporated into college athletics, and what specific changes schools would need to make in order for their athletics departments to operate effectively.

Critics will continue to discuss the issue of compensation for student-athletes until the NCAA and universities implement solutions that create a more ethical and fair environment for college athletes. Doing so will require time and experimentation that researchers need to conduct to find the best solution. We must remember that these student-athletes are young adults, no older than their early 20's, and they deserve the best solution regarding compensation that will increase fairness and protect their wellbeing, which will increase success in their own lives and also for the future of college sports.

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