

Student Athlete Compensation

Within the NCAA and

Revenue Generating

College Athletics

By

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INTRODUCTION

The revenues generated by college athletics and the number of lawsuits brought against the NCAA regarding the alleged exploitation of student athletes have both risen dramatically over the past two decades. The growth in revenue can be seen through the \$10.8 billion contract the NCAA signed with Turner Broadcasting in 2010 for 14 years of broadcasting rights of Division I basketball, a steep increase from the seven-year, \$1.725 billion contract signed with CBS in 1995 (Wolverton 2010). Lawsuits have also become more prevalent as current and former student athletes are seeking to receive compensation for their value addition to the college athletic system. Historically, lawsuits that have been won or settled have slowly chipped away at the NCAA's control and economic power, but much of the power and revenue capitalization still lies with the NCAA.

Throughout these changes there has remained one constant: the NCAA's definition of 'student athlete.' Student athletes remain the source of labor in college athletics and their compensation is strictly limited by their amateur status, no matter what value they provide to their school, conference, or the NCAA. NCAA rules prohibit most if not all forms of compensation while students are enrolled at a university. Student-athletes therefore contribute thousands of hours to university athletic departments and, college athletics as a whole, generates large sums of revenue for their universities, in return for which student athletes receive scholarships, small additional compensation and the slim possibility of becoming a professional athlete.

In this paper, I examine the structure of college athletics from the student athlete perspective and determine a limited set of alternatives that would address some of the

issues currently faced by the system. The student athlete has historically been treated as an amateur but changes over time now require the system as a whole to be reevaluated in order to properly compensate the athletes for the true value they are providing. Looking at the structure of college athletics, we can determine how the system is run by revenue generating activities and what effect this has on the student athletes. After which, we can then look at the major objections to the current system. In analyzing alternatives, each proposition has a differing degree of merit and ease of implementing which must be considered. The current system as well as the proposed alternatives cause for an interesting analysis into the proper treatment of student athletes.

What is a Student-Athlete?

The NCAA operates under the principle of amateurism, stating that, “Student-athletes shall be amateurs in an intercollegiate sport, and their participation should be motivated primarily by education and by the physical, mental and social benefits to be derived. Student participation in intercollegiate athletics is an avocation, and student-athletes should be protected from exploitation by professional and commercial enterprises” (NCAA By-Laws 2009). The eligibility and motivation to become a student-athlete thus lies in the status as an amateur. Without understanding the reason and history behind the term “amateurism” for the NCAA, there is little context to define student-athletes.

The NCAA was founded in December of 1905 in order to be a body where universities could discuss the issues faced in college athletics. The original objective of the NCAA was the “regulation and supervision of collegiate athletics throughout the United States” so that they could be maintained on an ethical plane in keeping with the

dignity and high purpose of education” (Smith 53). Each member institution of the NCAA agreed to not allow any individuals into college just to be an athlete and that all athletes must be good students first in order to be admitted to the institute. But the debate around amateurism was at the heart of the NCAA. The first major issue covered by the governing body of the NCAA was whether or not baseball players should be allowed to play for money during the summer as they were enrolled in universities. Some members of the NCAA believed in controlling all aspects of a student-athlete while they were enrolled in a member institute but others were in favor of a more democratic approach, allowing student-athletes the ability to choose to do, and make money, from whatever they wished.

The NCAA adopted the notion of amateurism from 19th century British athletics, wherein social elites shielded themselves from association or competition with athletes of the laboring classes by virtues of the elites’ ‘amateur’ status. An old tradition of protecting the class system was not typically accepted in the United States but the adaptation of traditional amateurism was decided by the NCAA. This shaped the NCAA as the structure of its main participants were now limited to just “amateurs”. Without the history of amateurism it would be difficult to analyze the NCAA’s view on its student-athletes. The specific rules and regulations that narrowly define an amateur in the rules and regulations guide for the NCAA are all based on the traditional principles and, therefore, the current system of collegiate athletics should be evaluated on these founding principles.

The NCAA was the “first organization...to attempt the direction in a large way of extra curricula activities for moral ends” (Pay for Play 59). As an organization that is set

up to limit the free choices of college athletes, the NCAA's goal is to promote the general benefits of college athletics to the institutions, students and employees involved. The NCAA has gone through numerous reforms since being established in 1905 but their core purpose is still "is to govern competition in a fair, safe, equitable and sportsmanlike manner, and to integrate intercollegiate athletics into higher education so that the educational experience of the student-athlete is paramount" (NCAA By-Laws 2009). The NCAA determines the rules and regulations which must be followed by student athletes, coaches and member institutions.

The NCAA enforces all rules regarding college athletics and uses their organization to regulate any violations of these rules. Officials, institutions, coaches and student athletes all have their own strict set of detailed rules that regulate their actions. The basic purpose of the NCAA includes rules and regulations that help college athletics become a "vital part of the educational system" and to ensure that the athletes are "an integral part of the student body" which promotes the classification of amateur sports on college athletics and prevents it from being considered an organization for professional sports (NCAA 1.3.1 Fundamental Policy). More specifically, the NCAA has nine purposes of their association which are as following:

1. To initiate, stimulate and improve intercollegiate athletics programs for student-athletes and to promote and develop educational leadership, physical fitness, athletics excellence and athletics participation as a recreational pursuit;
2. To uphold the principle of institutional control of, and responsibility for, all intercollegiate sports in conformity with the constitution and bylaws of this Association;
3. To encourage its members to adopt eligibility rules to comply with satisfactory standards of scholarship, sportsmanship and amateurism;
4. To formulate, copyright and publish rules of play governing intercollegiate athletics;
5. To preserve intercollegiate athletics records;
6. To supervise the conduct of, and to establish eligibility standards for, regional and national athletics events under the auspices of this Association;
7. To cooperate with other amateur athletics organizations in promoting and conducting national and international athletics events;
8. To legislate, through bylaws or by resolutions of a Convention, upon any subject of general concern to the members related to the administration of intercollegiate athletics; and
9. To study in general all phases of competitive intercollegiate athletics and establish standards whereby the colleges and universities of the United States can maintain their athletics programs on a high level.

Table 1

These nine purposes cast a wide range of power of internal and external factors that can affect college athletics. These rules set up power for the NCAA to punish anyone who violates their rules and regulations which, in turn, protects the system as a whole. It is noteworthy that in the first purpose the NCAA mentions that athletics is for “recreational pursuit” meaning that it is not a business endeavor or an avenue to earn a living for the student athletes, coaches or staff. The NCAA does enforce these rules pretty heavily as 53 of 120 universities in Division I Bowl Subdivision had some sort of major rules violation between 2001 and 2010 (USA Today 2006). Athletic departments and student athletes have to consistently be aware of all applicable rules in order to not knowingly or unknowingly violate rules garnering NCAA sanctions. The entire NCAA organizational structure then flows down to effect each individual student athlete.

Student athletes attend college for many different reasons. Some come because they can obtain a degree they could not otherwise afford, others, have the potential to be pro athletes but rules prevent them from becoming a professional athlete straight out of

college and others just enjoy athletic competition. The only compensation a university can offer is a scholarship and some additional compensation for living expense which is also regulated by the NCAA. As a cause of the cartel structure and limit of alternatives, the student athlete has very little determination in their compensation and no influence in any decision making the NCAA makes.

To be eligible for a NCAA scholarship, a student athlete must be classified as an amateur under NCAA rules and regulations. An individual loses this classification if they do any of the following items:

- (a) Uses his or her athletics skill (directly or indirectly) for pay in any form in that sport;
- (b) Accepts a promise of pay even if such pay is to be received following completion of intercollegiate athletics participation;
- (c) Signs a contract or commitment of any kind to play professional athletics, regardless of its legal enforceability or any consideration received;
- (d) Receives, directly or indirectly, a salary, reimbursement of expenses or any other form of financial assistance from a professional sports organization based on athletics skill or participation, except as permitted by NCAA rules and regulations;
- (e) Competes on any professional athletics team per Bylaw 12.02.4, even if no pay or remuneration for expenses was received;
- (f) After initial full-time collegiate enrollment, enters into a professional draft
- (g) Enters into an agreement with an agent.

Included on the list of prohibited pay is; salary or compensation, bonuses from games, payment of improper expenses, performance based pay, preferential treatment or benefits, prizes or gifts. This is intended to prevent schools from paying players and, therefore, securing the best players by offering the highest payment, either directly or indirectly (NCAA 12.1.2.1). However, this prevention of pay extends a far way. It is very difficult for student athletes to hold any jobs, even in the summer as their pay is heavily monitored and often times, not approved. This is much unlike many other performance based college students. Music, dance and art majors also receive scholarships to attend

universities but are permitted to earn money for performances, selling art pieces or other sources of generating revenue.

With the labor supply being plentiful, if one college student decides to not adhere to the NCAA's strict regulations, they will be replaced by another athlete seeking a scholarship. However, in the grand organizational structure, the public is paying to see the student athletes compete by purchasing tickets, merchandise or following competitions through different avenues of media. The price of labor, however, is fixed and nobody besides the NCAA is allowed to change it. A sustainable labor supply at a controlled price is an easy way to create a profitable business.

REVENUES GENERATED BY STUDENT ATHLETES

As a whole, the NCAA produced revenue for its athletics of \$871.6 million for the 2011-12 academic year. Over 80% of this revenue is generated from media rights which totaled \$705 million (NCAA.org). A large portion of the media rights sum is the 14-year, \$10.8 billion deal that the NCAA agreed upon to sell the men's basketball broadcasting rights. The following breaks down the sources of the \$871.6 million of revenue for 2011-2012:

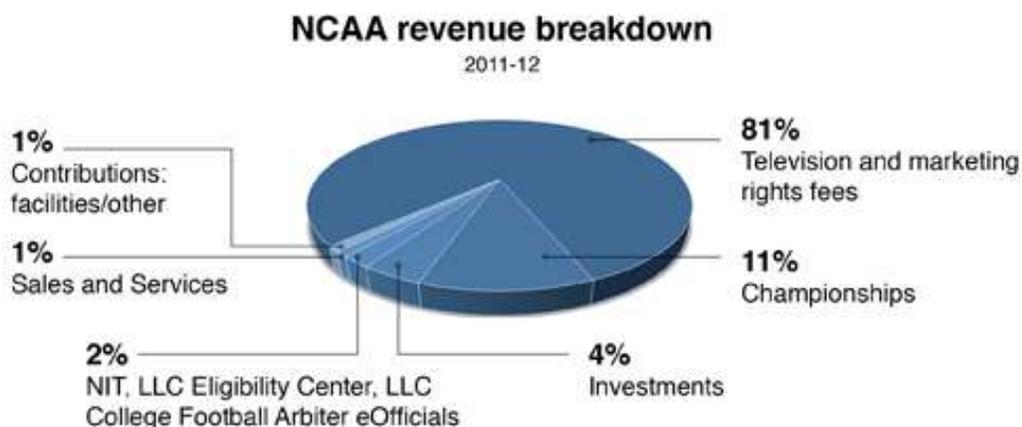
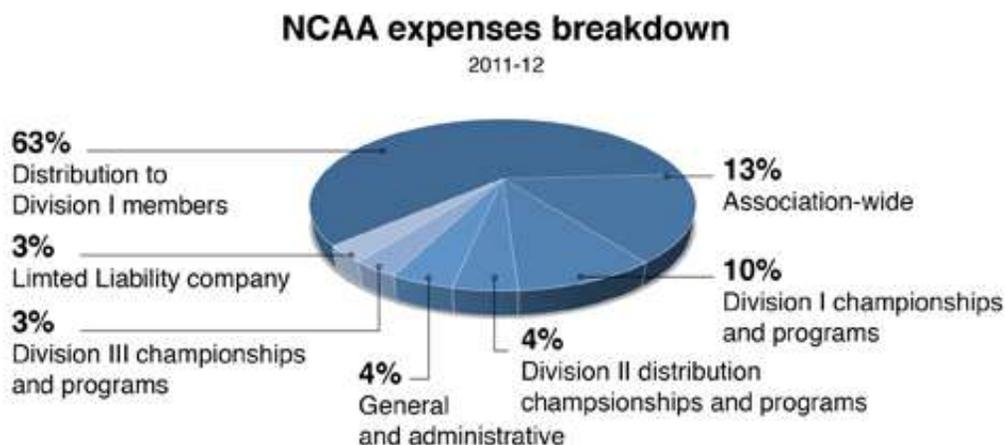


Figure 1

A combined 92% of revenue is provided through media rights and championships run by the NCAA. As the NCAA is only making money from the sale of broadcast rights, their expenses align in the same way as well. In total, expenses for the 2011-12 academic year totaled \$800 million. The breakdown of the expenses is as followed:

*Figure 2*

Only 7% of the NCAA's expenses were incurred to support Division II or Division II athletics. Division I athletics garnered 73%, or \$583 million, of the NCAA's expenses. Although the NCAA does not profit from the Division I college football bowl system, known as the Bowl Collegiate System or BCS, the sport as a whole still generates the most money total with college basketball, and the large media contract with CBS, being the second largest revenue sport. The remaining sports generate revenues which are a much smaller percent of the entire system, thus leaving collegiate football and basketball as the major drivers of NCAA changes and sanctions. The system as a whole is supported through each member institute's athletic department which makes decisions on which athletic programs to run and how to spend expenses on each program.

Athletic departments are in charge of generating revenue for their university and supporting the student athletes that compete for the university. In general, the athletic department is seen as a separate business unit in the university that does report back to the board of directors, chancellor, president or other upper level superiors of the institution. As a whole, the department should develop student athletes both on the field and in the classroom while providing athletic competition that is a representation of the university's student body, staff and alumni as a unit.

There is a common claim used when talking about the profits of athletic departments and it is that, "Very few athletic departments make money, and even in those departments, only football and men's basketball are revenue generating sports." To analyze these claims we must understand how athletic departments report their financials and what they mean. In general, athletic department financial data is not made public, and if it is, accounting principles still make it hard to understand where the money is coming from and where it is going. To try and understand these financials, a sample from Oregon State University is provided below with data coming from IndyStar's database. The accuracy of the account balances is not as important as the analysis of the structure of creating the income statement.

Oregon State University			
<u>Revenue</u>		<u>Expenses</u>	
Ticket Sales	\$6,224,823	Student Aid	\$6,793,797
Student Fees	\$1,495,296	Guarantees	\$1,326,210
Guarantees	\$1,768,498	Salaries	\$5,717,408
Contributions	\$13,348,937	Other Coaches' Comp.	\$0
Third Party Support	\$0	Support Staff Salaries	\$4,932,468
Government Support	\$577,591	Other Support Staff Comp	\$0
Direct Institutional Support	\$4,014,640	Severance Payments	\$175,767
Indirect Institutional Support	\$479,825	Recruiting	\$609,572
NCAA/Conference Distributions	\$7,373,740	Team Travel	\$3,944,449
Individual School Media Rights	\$0	Equipment	\$728,328
Concessions, Programs, Parking	\$286,432	Game Expenses	\$1,867,608
Advertisements & Sponsorship	\$1,347,440	Promotion	\$5,679,766
Sports Camps	\$0	Sports Camp	\$0
Endowments/Investments	\$0	Facilities, Maintenance	\$0
Other	\$328,134	Spirit Groups	\$0
Subtotal	\$37,245,356	Indirect Institutional Support	\$479,825
		Medical	\$520,478
		Memberships	\$733,040
		Other Operating	\$2,597,467
		Total Operating	\$36,106,183
		Expense to Revenue Difference	\$1,139,173

Table 3

Most of the revenue and expense categories are self explanatory and the numbers represented in the balances are difficult to misrepresent. The highlighted category, Direct Institutional Support, is the most particular category on the Income Statement for every athletic department. This account represents the monetary support provided by the general university to support the athletic department. However, this balance does not represent an actual transfer of money, obligations or anything that could be considered revenue for the athletic department. This number is an accounting “plug”, meaning the preparer of the financial statements could put in any amount they wish in this category. It represents the monetary value that the athletic department provides the general university.

The true value that should be represented by the Direct Institutional Support account is difficult to calculate as there is no clear line between athletic department benefits including value addition and the general institution. Therefore, athletic departments typically chose one of three methods to determine the Direct Institutional Support balance;

- 1) Leave the balance at \$0 as it is hard to determine and define
- 2) Plug the balance so the total revenue matches total expense, creating net revenue of \$0

- 3) Attempt to represent the accurate monetary amount in the balance

Obviously, the university’s decision on the amount to input can drastically change the appearance of the financial success of the athletic department. Inputting an amount of zero dollars seems to not justly show the true Institutional Support balance. A plug number to balance revenues and expenses also has little justification to use in the income

statement. Attempting to calculate value is the most accurate representation but still comes up short in practicality as it is difficult to determine a truly accurate amount.

At Texas Christian University, for example, the athletic department's preparation of the balance sheet uses a plug number to balance revenues and expenses. Of sales of merchandise, the athletic department only counts in stadium sales at merchandise stands and stores and any Nike merchandise sold in the official TCU bookstore. Nike is the official athletic sponsor of TCU athletics and, therefore, those sales are represented on the athletic department income statement even though they did not occur inside an athletic facility. However, there are many items that are not represented on the income statement which include such items as; a t-shirt that says "TCU Football" that is not produced by Nike, tailgating cooler with a TCU logo on it and a TCU flag. These items' sales may be driven by athletic popularity and success but they are not considered as revenue on the athletic income statement. As royalties for using university can top \$10 million for large universities, there can be a very significant effect on not properly attributing revenue to the right department.

Another missing aspect of an athletic department's value is the amount of publicity and marketing it provides a university. Popular programs can be seen on channels such as ESPN, Fox, CBS, NBC and local channels often which is very valuable air time of positive exposure for a university. Another item not accurately reflected on athletic department income statements is donations to the university or athletic department directly. Many athletic departments generate millions of dollars annually in donations which are not reflected anywhere on the income statement. In essence, the athletic department is a large producer of these donations but those are all represented on

the university level. Athletic departments claim to “lose money” which is a central argument for those who oppose increasing compensation for student athletes, but this claim is not a full truth, as the really value of an athletic department is not accurately represented by the income statement.

In the competitive college athletic market, each athletic department attempts to gain an edge over the competition. Assuming the penalties for breaking the rules are significant, there are very few ways to gain an edge as you cannot offer the players, or labor supply, anything that another university can, except for selling them our your coaching staff, facilities and experience at the university. When you set the price of labor, which is the full scholarship offer extended to student athletes, universities in a competitive market will still try to achieve optimal results in order to gain the largest share of the profitable college sports market as possible. Increasing labor pay is not permitted but securing the most valuable labor will still increase on the field performance, which should lead to increased revenue. In order to achieve the highest value of labor, universities increase their investments in athletic facilities, including stadiums, practice facilities and athletic dorms, and coach’s salaries. As the coaches are responsible for recruiting and securing the highest level of labor talent, the importance of a coach increases as not only do they offer on the field performance but also are the biggest variable in the value of labor. Legendary UCLA basketball coach, John Wooden, commented on the NCAA system as such, “administrators and the academicians who have traditionally tried to keep ‘big sport’ in its place have created the ultimate chaos, they have subverted their own system. Caught up in money madness, they have made a legion of scavengers of their coaches – coaches desperate to win...” (Hammel 9).

Coaches' pay is tied to their recruiting effort and on the field performance but they are actually paid above the normal market rate for coaching. With the labor ceiling price, some level of labor price savings is transferred into what can control the labor, which is the coaching staff. Therefore, large programs which can invest more money into their coaching staff and facilities still have an advantage over institutes that do not make this investment. This challenges the argument that by having a free market for athletes the competitive balance in college athletics would shift.

The basketball program at the University of Kentucky, for example, has top of the line athletic facilities, including stadium and practice facilities, and new athletic dorms that have five-star hotel like amenities, including extra long beds unavailable anywhere else on campus except for in the basketball dormitory (Kentucky Sports 2012). Coach Calipari was a phenomenal recruiter at Memphis and was able to produce great on the court results because of it. That is when Kentucky University offered him an 8 year, \$31.65 million contract to produce the same results at UK. The model argues that Calipari's almost \$4 million a year contract amount represents not only Calipari's on the court coaching value but also includes the added value he adds as a recruiter securing talent which has a value way above the scholarship and compensation value of the labor price ceiling. In a free market of labor, Calipari would make less per year as some of his value is actually created by the labor he supplies. This would also add an additional variable to an athlete's choice of college. This could give smaller schools, who cannot invest millions of dollars in athletic facilities and millions in coaching salaries, a chance to land some athletes by simply paying them a higher rate than they would be offered

elsewhere. The role of coach has transformed in college athletics from being an Xs and Os strategist to the main value and revenue driver in the athletic department.

In total, the NCAA and athletic departments benefit the most from and determine the amount of revenue generated by college athletics. The large amount of dollars involved in the system have created the opportunity and motivation to enhance the greed of everyone involved. The only party that does not have an opportunity to increase their 'share of the pie' is the student athletes, whom much sign away their economic rights in order to be a part of the NCAA. Because of the current situation the student athletes are in, there has been a growing movement to increase their rights and compensation.

OBJECTIONS TO THE CURRENT SYSTEM

Over the years, the opposition to the current compensation for student athletes has grown. Major news outlets including ESPN, *Wall Street Journal* and *Sports Illustrated* have all have printed significant stories on the issue. The most noticeable was ESPN's 'Pay for Play' which was a 5 day series releasing over 20 articles and opinion pieces by highly regarded writers and media personnel that addressed the NCAA, student athletes and the system as a whole. Although some still find the current system to be fair and the best choice, many have voiced their opinions against the current system and have suggested alternatives that would resolve the main issues that are present in their opinion. The other pressure on the NCAA and the system as a whole are lawsuits that attempt to increase student athletes' rights and compensation. Currently, the highest profile lawsuit in the courts regarding this subject is O'Bannon v. NCAA.

Ed O'Bannon is a former UCLA basketball player who played from 1991-1995 and had an excellent career including winning the 1995 John R. Wooden Award, given to

the best player in college basketball. Ed O'Bannon is suing the NCAA in regards to their practice of not providing compensation for student athletes when they sell the use of student athlete's likeness to different profit seeking companies. The NCAA licenses the use of their teams, stadiums and player likeness to video game producers, merchandise companies and other economic endeavors. Student athletes sign forms that require them to give up their rights to seek profit on their performance or likeness and give this right to the NCAA.

The NCAA has responded to O'Bannon's claim by arguing that, "the NCAA does not license student-athlete likeness or prevent former student-athletes from attempting to do so. ... Likewise, to claim the NCAA profits off student-athlete likenesses is also pure fiction," according to NCAA spokesman, Erik Christianson. The NCAA has a crucial interest in this case as their classification of student athletes as "amateurs" and their tax exempt label as a not-for-profit could also be jeopardized.

O'Bannon and other former student athletes argue that video games such as the NCAA Football series are making profit off of the likeness of student athletes and the athletes themselves have no control of this and receive none of the revenue from these business deals. Video games use exact replicas of each player currently in the NCAA Division I Bowl Series and the only difference is that they do not include their names on the original roster, but rosters with names are easily downloadable. Merchandise often also represents players such that they have the same number and style that is worn on the field but the name is also omitted. The lawsuit claims that, "Defendants NCAA, EA, the CLC, and their co-conspirators have committed violations of the federal antitrust laws by engaging in a price-fixing conspiracy and group boycott / refusal to deal that has

unlawfully foreclosed class members from receiving compensation in connection with the commercial exploitation of their images, likeness and/or names following their cessation of intercollegiate athletic competition” (O’Bannon v NCAA 4). The claim then goes on to ask for any “ill-gotten gains” throughout the years.

If successful, O’Bannon v. NCAA would allow current and former student athletes to receive a larger part of the revenues that they are generating through media rights, merchandise sales and other revenue promoting avenues that the NCAA is currently participating in. If the NCAA wins the case or settlement, there could be sense of pressure to change their rules and compensation for student athletes before another lawsuit is brought against them potentially costing a significant amount. If O’Bannon wins the lawsuit, there would have to be significant changes to the amount of compensation awarded to NCAA student athletes and dramatic changes would be seen across athletic departments nationwide.

POSSIBLE MODIFICATION AND ALTERNATIVES

There has always been opposition to the rules and limitations that the NCAA puts on student athletes but in recent years this pressure against the NCAA has risen. However, even when the NCAA was first created there was an apparent element of the business side of the NCAA as presented by Taylor Branch, an original university president present at NCAA meetings, saying, “thanks to the influence of the colleges, there is growing up a class of students tainted with commercialism,” which was published in the 1905 article, “The Shame of College Sports”. As the size of the business of college sports has increased, more people have started to question the current compensation for student athletes who are the labor in the system producing millions of dollars each year.

Many “solutions” have been proposed by experts in the field of college athletics but most of the proposed changes can be classified as increasing stipend for students, guaranteeing scholarships for four years, changing the definition of “student athlete” or creating a free market for student athletes.

Increased Stipend

Many athletes come from low income backgrounds and college has become increasingly expensive, even with a full scholarship. This has stemmed the proposal to cover the “full cost of attendance” of student athletes. Proponents for this alternative stress that this does not mean the same as paying players, instead it is just broadening the covering of costs which students incur as they attend college. Currently a full NCAA scholarship from a Division I institute covers the “Cost of Education” which equals the sum of tuition, student fees, student housing, daily meals and course-related books (NCAA Letter of Intent). However, a study by Ithica College determines that the amount covered by an NCAA “Cost of Education” scholarship falls just under \$3,000 short annually of covering the average “full cost of attendance”.

The NCAA’s main argument against changes in increasing compensation of student athletes is that it would destroy the athletic balance between schools and that financially the system cannot afford to increase compensation for student athletes. Many student athletes who leave have the ability to earn money playing professional sports attempt to leave college early. A study by DeBrock, Hendricks and Koenker (1996) determined that there was, “evidence that the alternative economic opportunity of professional sports plays a significant role in the decision of scholarship athletes to stay in school. In [men’s basketball and football], the opportunity to play in these leagues had

a significant impact on graduation rates” (534). The lower graduation rates showed the willingness of student athletes to leave school early, not earning their degree, to attempt to play in professional sports leagues and earn a salary. Having a negative cash flow for a few years because scholarships do not cover the total cost of attending a university can often times be too high of an opportunity cost even with the added value of a degree upon graduation. This makes the decision to leave college early much easier for student athletes that are not economically able to support being enrolled at a university and the costs associated with it.

The alternative suggesting increasing the stipend allowed for athletes, whether it would just be for men’s football and basketball or for all sports, could potentially increase the graduation rates of college athletes by lowering their cost to have the opportunity to complete their degree. By keeping athletes in college longer, the overall quality of athletes would increase, on average, which would allow the NCAA to offer a more competitive and valuable product which they could sell the media rights to. The NFL and NBA offer rookie salaries from \$100,000 up to millions of dollars a year in guaranteed money for those we are selected in their respective drafts and sign a contract. If the NCAA is able to marginally increase their ability to hold on to these talents that the NBA and NFL value so much, they would be able to increase the overall product that they are selling.

Four-Year Scholarship Guarantee

Currently, athletic scholarships must be at least one academic year and Division 1 institutions are permitted to offer multiyear scholarships. In the case of one year scholarships, they must be annually renewed for each student athlete (NCAA National

Letter of Intent). By not having a guaranteed four year scholarship, a student athlete is left with an unknown future as their scholarship could be not renewed because of poor performance, coaching changes, injury or practically any reason, or lack of reason, an athletic department would want. Providing a guaranteed four-year scholarship to all student athletes would increase “job security”, so to speak, which would be a great benefit to student athletes. Referring back to the 1.3 The Fundamental Policy of the NCAA, they state that, “a basic purpose of this Association is to maintain intercollegiate athletics as an integral part of the educational program and the athlete as an integral part of the student body.” By providing a four-year scholarship, they would promote the student athlete as “an integral part of the student body” as without a guarantee of having the ability to stay at a member institute, it would be difficult to stay an integral part of the student body.

Graduation rates would likely also increase based on a guaranteed four-year scholarship as students would not have to drop out or transfer universities based on their scholarship not being renewed. Increasing the guarantee of the scholarships would also lower the cost of staying in college as the future benefits from a scholarship would be guaranteed and there would be no risk to losing the benefits of the scholarship. This again, just like increasing the stipend, would increase the chance of valuable players staying at college longer, and increasing the total value of the labor supply available for the NCAA, increasing the revenue they can generate from this labor supply.

Abandoning “Student Athlete”

The term “student athlete” has been referred to many times in this paper and some feel the problem in the system as a whole lies in defining college athletes as “student

athletes”. The system has long been influenced by the large amounts of money that is involved in the business. According to Dr. Ellen Staurowsky, professor in sport management, of Ithaca College, “What college sports did was take that amateur concept, which was so class-based, and broaden and democratize it. But they ultimately still made it favorable to the power-elite people who are running colleges and universities. It’s created an exploitative system.” In order to right the system, abandoning the term “student athlete” would allow college athletes to be associated with what they are, valuable labor that produce the \$800 million of revenue for the NCAA on an annual basis.

Instead of classifying them as student athletes, it would more appropriate to designate their degree in “Football” or “Swimming”, for example, or not even having them enroll in the university at all. The latter proposal would cause a drastic change in college athletics and poses many problems to the whole system. By creating a new area of study which would be their designated sport, athletes would be able to focus on what they bring to the university, which is their athletic ability to perform on the field, court, in the water, or wherever else they compete. This would be much like a dance or performing arts major, requiring the university’s core requirements for graduating but specializing in their athletic department. Lifting weights, tape studies and practice time could all be included in a sport specialized curriculum. In addition, classes on handling finances, agents, the industry in general, history of selected sports and other courses could be offered. These new courses would better prepare athletes for becoming a pro athlete, working in the industry or using their developed skills in the real world. Much like the

performing arts, they would be practicing their skills which they could then apply after college.

To address the counter argument that this major would not be beneficial to the majority of athletes as “only 3% of college athletes turn pro”, the major would still be a more beneficial system to adequately provide athletes with something substantial to acknowledge all the work they put in. There would be an inherent risk taken by majoring in a selected sport but this risk would be no different than other majors that have high potential pay but a low rate of job placement. Like any major in college, many people do not end up working in their undergraduate area of study, but the skills they acquire are attractive enough for someone to hire them or adequate enough for them to create a living on their own. A football degree, besides turning into a professional athlete, could lead to assistant coaching, personal training, sports agency, dietary advisor or many other roles (some requiring more education or training). Creating this specific sport major would also still allow athletes who are attending college for mainly academic purposes to pursue those by double majoring. A baseball and accountant double major would be allowed to enroll in a university because of his athletic ability but still acquire the necessary educational skills to pursue a future career that has nothing to do with becoming a professional athlete. The system in a whole would benefit by the athletes receiving a direct compensation of their time and effort put into their craft.

Free Market

The most popular argument for changing the college athletic system is allowing for a free market of student athletes to be compensated for their services. This would include any college being allowed to offer any amount of money or amenities for student

athletes and student athletes also being allowed to pursue endorsements or other endeavors in order to make money. The largest opposition to this proposal is the amount of change it would require in the NCAA system and where the financial burden would be applied to increase the amount of money student athletes receive.

One stage of this proposition would be to use the Olympic model to adjust the current NCAA system. Olympians are also amateur athletes and do not get paid to compete in Olympic competitions, although some do receive monetary gains for medal performances. What Olympians are allowed to do is more important, which is, to allow student athletes to control their own marketing rights: to hire agents, sign endorsement deals and engage in “entrepreneurial” activities (Cohen 2011). This puts the financial burden on business that would want individual player athletes to sponsor their products. There would be a very large market for these types of endorsements and the endorsements would be, somewhat, related to athletic performance. LeBron James, before playing a minute in the NBA was able to secure a \$90 million endorsement deal with Nike, deals of a lesser magnitude would be present for college athletes that wanted to be compensated for their value but still participate in college athletics. Deals could be local, regional, national or international which would provide enough opportunity for student athletes of every level to secure a deal tied to their value they could provide a company.

The second stage of a free market would be a pure, pay the players their market rate. This would obviously create a huge financial burden on schools and it would take time before knowing the value of each player, causing a period of loss of wages for players or loss of profit for universities. This also could have a negative effect on non-

revenue generating sports. Universities could decide to cut many sports as paying the players would raise the costs too high to keep a sustainable model. Often times currently, profit made in revenue generating sports covers losses from other sports. If the revenue generating sports profits shrink, they would no longer be able to cover any losses. Overall, the system would be heavily altered and true knowledge of what would result would be difficult to determine.

CONCLUSION

The NCAA has long been able to control the labor market of college athletes through their restrictions and structure. Recent media resentment and lawsuits have challenged the current compensation for student athletes which may force the NCAA's hand. The 'student-athlete' is an old concept which is no longer valid and, therefore, the system must be adjusted accordingly. In order to change the system, the profits must be decreased from a certain party that is currently benefiting from the fixed compensation the student athletes are receiving. A complete free market would entirely ratify the system and the NCAA would have to drastically adjust how it operates. However, allowing companies and businesses to offer endorsements to certain college athletes that would provide value to their brand would be a way to increase the compensation of student athletes, which in turn lowers their cost to attend college to participate in athletics, and could also provide increased sales or recognition for brands, opening up new markets and, possibly, increasing the total output of the college athletic system as a whole. The student-athlete concept as well as the tax-exempt 'non-profit' status of United States universities will face tremendous legal and media pressure over the next decade until a balance in student athlete compensation is struck.

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ABSTRACT

This paper studies the current system of compensation for student athletes that participate under the NCAA and possible alternatives to the current system. By looking at NCAA guidelines, athletic departments and current compensation, a basis is present to evaluate possibly alternatives and solutions to accurately compensate college athletes for the services they provide. Recent media reports and lawsuits have been pressing for increasing compensation for student athletes and this paper addresses where change could occur by developing ideas that have been presented in the discussion on student athlete compensation. By taking the perspective of the student athlete on the system, we can identify where the system currently falls short. The conclusion draws the best possible solution to changing the current system based on research looking at the NCAA, athletic departments and the rules and regulations surrounding college athletics.