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Should Division I College Athletes Receive Compensation in Excess of their Scholarships?

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Should Division I College Athletes Receive Compensation in Excess of their Scholarships?

Trey Kilburg

ABSTRACT. This paper examines the amateurism debate that has surrounded collegiate athletics since their inception in the 1800's. The NCAA brings in enormous revenue from Bowl Games and "March Madness" without paying the student-athletes who help generate them. Large disparities in budgets and profits among Division I conferences and different sports make it almost impossible for the NCAA to create a system that would fairly compensate all student-athletes based on productivity. I conclude that student-athletes should be able to accept endorsements deals that allow them to monetize their value without costing students or colleges additional money.

I. Introduction

The NCAA generated \$1 Billion in Revenue in 2017, and of that, \$761 Million came from the NCAA men's basketball tournament (Rovel 2018). Massive revenue streams created by student-athletes have led some to question the NCAA's amateurism rules. Recent probes into college basketball recruiting scandals by the Federal Bureau of Investigation have renewed the conversation about the future of collegiate athletics (Goodman 2018). This paper will briefly examine the history of college sports and provide an analysis of the current NCAA landscape. My goal is to give a fair description of both sides of the amateurism debate, and provide my own opinion about what the best option is regarding NCAA reform.

II. History of Collegiate Athletics

In 1636 Harvard became the first college founded in the American Colonies. By 1860 there were over 200 colleges in the United States (Grant, Leadley and Zygmunt 2008, 1). Competition among colleges to attract students rose as the number of colleges expanded. Prior to 1880, Yale University was the only college in the United States to offer graduate degrees (Grant, Leadley and Zygmunt 2008, 3). Over time, the demand for advanced study increased. This caused more colleges to offer secondary degrees, which resulted in a need to hire a larger faculty. Colleges needed to grow in order to support new courses in multiple

disciplines. Sports programs were used by many colleges as a way to increase prestige and differentiate themselves from the competition (Grant, Leadley and Zygmunt 2008, 4).

Rowing was the first sport to have official contests between students at different colleges (Grant, Leadley and Zygmunt 2008, 5). The first intercollegiate rowing event pitted Yale and Harvard against each other on Lake Winnepesaukee in 1852 (Bernstein in Grant, Leadley and Zygmunt 2008, 6). The rowing events were so popular with spectators that they were eventually moved to Saratoga, New York in subsequent years (Bernstein in Grant, Leadley and Zygmunt, 2008, 6).

The game of basketball was created by Dr. James Naismith in 1891 (National Center for Families Learning 2014). Naismith created the game to provide an “athletic distraction” to a disruptive group of students that he was working with as an employee of the Young Men’s Christian Association (National Center for Families Learning 2014). Basketball quickly gained national popularity as YMCA graduates spread the game all over the country. The first collegiate game using five-player teams took place in 1896, when the University of Chicago defeated the University of Iowa 15-12 (Grant, Leadley and Zygmunt 2008, 7). “March Madness” began in 1939, when the first NCAA tournament took place at the University of Illinois (National Center for Families Learning 2014).

Intercollegiate football’s origins can be traced back to a game in 1869 between Princeton and Rutgers, which had about 100 fans in attendance (Bernstein in Grant, Leadley and Zygmunt 2008, 30). The rules of the game were inconsistent from college to college which made it difficult for schools to organize games. The Intercollegiate Athletic Association of the United States (IAAUS) created a championship game between Yale and Princeton in 1880 (Grant, Leadley and Zygmunt 2008, 10). Ten years later, it was one of the most-watched athletic events in the nation, with an average of 40,000 fans attending each year (Grant, Leadley and Zygmunt 2008, 10). The severe violence of football could not be understated. From 1890-1905, 330 students died as a result of injuries sustained on the football field (Zimbalist 8). Public outcry about the violence led President Theodore Roosevelt to invite representatives from Yale, Harvard, and Princeton to meet at the White House to discuss rule changes in 1905 (Grant, Leadley & Zygmunt 2008, 15). The new rules addressed player safety by banning specific tackling methods and outlawing rugby-style scrums from the game altogether.

Despite the risk of serious injury, college football quickly became one

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of the most popular sports in the country. This popularity can largely be attributed to the media's coverage of the sport. Publishers saw the growing interest in college sports and wanted to use it to help sell newspapers. Football players created fascinating heroes for fans to read about on weekends when political news was scarce. Student-athletes playing an ultra-violent sport for the love of the game provided publishers with a near perfect narrative (Grant, Leadley and Zygmunt 2008, 11). Growing fan interest caused the newspapers to largely ignore eligibility scandals and the deaths caused by excessive violence on the field.

As the popularity of football grew, money in athletic programs became more important. Having a successful team meant more revenue from ticket sales and alumni donations, but it also meant more spending for athletic programs. Harvard Field was the first collegiate stadium built in 1903 (Grant, Leadley and Zygmunt 2008, 12). The stadium costed \$310,000 to build (equivalent to roughly \$8.2 Million in 2018) and seated 31,000 fans (Grant, Leadley and Zygmunt 2008, 12). The stadium was funded by ticket sales and a \$100,000 donation by the class of 1879 (Grant, Leadley and Zygmunt 2008, 12).

The large sums of money and rising pressure to succeed led to scandals at multiple colleges. Some programs hired professional players for their teams, while others paid high level recruits to attend their colleges. The media occasionally reported on the scandals, but few meaningful changes were made. In 1905, the Intercollegiate Athletic Association of the United States decided to reform all collegiate sports (Grant, Leadley and Zygmunt 2008, 21). The athletic association stated that its purpose was:

The regulation and supervision of college athletics throughout the United States, in order that the athletic activities in the colleges and universities of the United States may be maintained on an ethical plane in keeping with the dignity and purpose of education (Grant, Leadley and Zygmunt 2008, 21).

The IAAUS officially changed its name to the National Collegiate Athletic Association (NCAA) in 1910 (Grant, Leadley and Zygmunt 2008, 23).

III. Collegiate Sports in the Modern Era

The modern era in college sports began after the end of World War II (Grant, Leadley and Zygmunt 2008, 31). Increases in television coverage and enrollment rates made sporting events more popular than ever before. This is when collegiate sports evolved into the billion dollar industry that it is today. As revenues generated from college sports rose, the temptation for schools to try to find competitive advantages increased. Rising temptation forced the NCAA to implement new restrictions. The NCAA made swift changes by implementing amateurism laws, establishing eligibility requirements, and by forming different divisions for colleges to compete in. Two committees were also formed to help the NCAA enforce its new rules; one would investigate violations, and the other would hear cases (NCAA 2018b).

Protecting the amateur status of college athletes was critical to the NCAA. Members of the NCAA unanimously voted to forbid any payments to students for their participation in athletics in 1922 (Grant, Leadley and Zygmunt 2008, 31). The vote also banned colleges from offering scholarships to athletes. According to the NCAA website, the NCAA membership adopted amateurism rules to: “Ensure the students’ priority remains on obtaining a quality educational experience and that all of student-athletes are competing equitably.”

Here is the list of things that would cause a player to lose their amateur status according to the NCAA website:

- Contracts with professional teams
- Salary for participating in athletics
- Prize money above actual and necessary expenses
- Play with professionals
- Tryouts, practice or competition with a professional team
- Benefits from an agent or prospective agent
- Agreement to be represented by an agent

Source: (NCAA 2014a)

Rules about scholarships were modified in 1935 when the Southeastern Conference became the first to offer athletic scholarships (Grant, Leadley and Zygmunt 2008, 32). These athletic scholarships were strictly limited to tuition, fees, room, board and course-related books. At

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the time, the major conferences had more influence over members than the NCAA. The Southeastern Conference threatened to remove themselves as members of the NCAA if athletic scholarships were not allowed, which forced the NCAA to comply (Grant, Leadley and Zygmunt 2008, 32). The competitive nature of college athletics forced other conferences to follow suit by offering their own scholarships. Over time, the competitive balance in collegiate athletics began to shift in favor of schools that could afford to give out the most scholarships. In an effort to maintain a fair playing field, the NCAA put a limit on the number of scholarships a school could offer. In 1973, the NCAA restricted football to a total of 105 scholarships per school, and in 1992 reduced this number to 85 scholarships. (Grant, Leadley and Zygmunt 2008, 34). The NCAA created “headcount” and “equivalency” athletic scholarships in 1982 (Grant, Leadley and Zygmunt 2008, 35).

Headcount scholarships were designed to limit the number of full scholarships available per varsity sport. If a sport offers twelve scholarships, twelve new athletes can receive full scholarships each year. Sports restricted by headcount scholarships are generally the sports that bring the most revenue to the school (Frank 2011).

Men’s Sports Head Count Scholarships in Division I:

1. Football (85 Available per FBS team)
2. Basketball (13 Available per team)

Women’s Sports Head Count Scholarships in Division I:

1. Basketball (13 Available per team)
2. Gymnastics (12 Available per team)
3. Volleyball (12 Available per team)
4. Tennis (8 Available per team)

Source: (Frank 2011)

Equivalency scholarships are also limited in number, but the teams are allowed to divide the scholarship amounts among multiple athletes. For example, if a women’s soccer team is allowed 10 scholarships at \$6,000 each, it can divide the total amount of money among a roster of 25 players. The teams that use the equivalency method are usually non-revenue sports for their respective colleges.

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Men's Sport Equivalency Scholarships in Division I:

Baseball, Rifle, Skiing, Cross-Country, Track and Field, Soccer, Fencing, Swimming, Golf, Tennis, Gymnastics, Volleyball, Ice Hockey, Water Polo, Lacrosse, Wrestling.

Women's Sport Equivalency Scholarships in Division I:

Bowling, Lacrosse, Rowing, Cross-Country, Track and Field, Skiing, Fencing, Soccer, Field Hockey, Softball, Golf, Swimming, Ice Hockey, Water Polo.

Note: All Division II and NAIA programs are equivalency sports.

Source: (Frank 2011)

In 1973 the NCAA required schools to offer only one-year athletic scholarships, with the option to renew the offer each year (Grant, Leadley and Zygmunt 2008, 35). The one-year renewal structure of athletic scholarships has not changed since then. This means that student-athletes who are injured, or those who are not performing up to the level their coaches expected, may not have their scholarship renewed the following year. If a college plans to reduce or not renew a student-athlete's aid, the school must notify them in writing by July 1 and provide the student with an opportunity to appeal (NCAA 2017c). In most cases, coaches decide who receives a scholarship, the scholarship amount and whether it will be renewed (NCAA 2017c).

The NCAA passed Proposition 48 in 1983, which put minimum eligibility requirements in place for students to qualify for athletic scholarships (Wikipedia 2018e). The goal of this was to ensure that only students who were prepared to balance athletics and academics were admitted into colleges. In order to be eligible, student-athletes must:

- Graduate high school
- Have an SAT Score: ≥ 860 or Act Score: ≥ 16
- Maintain a 2.3 GPA (Raised from 2.0 in 2015)
- Complete 16 core courses during High School (4 English, 3 Math, 2 Science, 1 Additional Math, Science, or English 2 Social Science, 4 Other)
- Complete 10 core courses before their seventh semester of college

Source: (NCAA 2018b)

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Divisions were established by the NCAA in 1973 (Grant, Leadley and Zygmunt 2008, 39). The NCAA split its membership into three divisions: Division I, Division II, and Division III (Wikipedia 2018a). Football in Division I is divided further into Football Bowl Subdivision schools (FBS) and Football Championship Subdivision Schools (FCS). Each division has its own requirements for membership based on the number of scholarships funded, the ability to schedule games against opponents in their division, and the number of varsity sports offered at each school (Grant, Leadley and Zygmunt 2008, 39). Divisions were established to create parity and a more level playing field in intercollegiate sports (Berkman 2015). Divisions give smaller schools with fewer resources the opportunity to compete for championships. Division I schools have the largest athletic department budgets, and compete at the highest level. Division III schools tend to have the smallest athletic department budgets and are not allowed to offer athletic scholarships. This paper will focus primarily on sports at the Division I level because this is where the majority of revenue is generated within the various NCAA divisions.

Division	Median Revenue Generated per college in 2014 (<i>All Sports</i>)
Division I-FBS	\$62,275,000
Division I-FCS	\$15,315,000
Division I-Without Football	\$14,413,000
Division II	\$5,172,900
Division II-Without Football	\$4,102,200
Division III	*No Revenue information available* Median Expenses for a Division III college with football were \$3,382,100

Source: (NCAA 2015)

IV. Conferences in Division I Athletics

Conferences were created to coordinate competition during the regular season and organize postseason championships among a group of colleges. There are a few colleges who have remained independent outside of conferences, such as Notre Dame, but the overwhelming majority of Division I colleges are members of a conference. In the modern era, conferences share the revenue from television contracts and payments from bowl appearances (Statistic Brain 2016). Conferences are often organized by geographic location, and teams within the same conference often have similar resources which facilitates parity on the field. Schools want to join conferences competing at the highest level so they can be exposed to more media coverage and draw a national audience.

There are currently eleven FBS conferences and thirteen FCS conferences in Division I football, but not all conferences are created equal (Wikipedia 2018d). The budgets of the major conferences are massive compared to the other conferences.

FBS Conference	Average Budget Per School from 2005-2015 (All Sports)
Big Ten	\$85 Million
SEC	\$80 Million
Big 12	\$71 Million
ACC	\$64 Million
Pac-12	\$61 Million
American	\$53 Million
Mountain West	\$34 Million
Conference USA	\$26 Million
Mid-American Conference	\$22 Million
Western Athletic Conference	\$21 Million
Sun Belt	\$17 Million

Source: (McCready 2016)

Based on budgets alone, four separate athletic departments in the bottom four conferences could be funded for the price of one Big Ten or SEC school (McCready 2016).

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Conference champions from the five major conferences (ACC, Big 12, Big Ten, Pac-12, SEC) receive automatic bids to the most lucrative bowl games (Grant, Leadley and Zygmunt 2008, 43). The payout to colleges for making it to a bowl game ranged from \$300,000 for making the Famous Idaho Potato Bowl, to \$4,250,000 for schools competing in the Citrus Bowl (Statistic Brain 2016). Revenues for colleges competing in the college football playoff that decides the national champion are even larger. An estimated \$6 million bonus is paid to each team a conference sends to the semifinals of the playoffs (Statistic Brain 2016). Power 5 conferences receive an estimated \$50 million from the NCAA whether or not it qualifies a team for the playoffs (Statistic Brain 2016). Revenues from the NCAA for colleges in the FBS that belong to conferences outside the Power 5 total \$18 million each (Statistic Brain 2016).

The average budget of a National Championship football team was almost \$100 million per year over the last ten years (McCready 2016). The ultimate goal of every school is to win a national championship, but schools outside of these conferences may not be given the chance to compete for one. The University of Central Florida, members of the American Athletic Conference, completed a perfect 13-0 season in 2017. They were, however, not invited to compete for a national championship in the college football playoff, largely because of their conference affiliation. UCF later proclaimed themselves National Champions after defeating Auburn in the Peach Bowl.

There are 32 conferences competing in Division I basketball (Wikipedia 2018d). The winner of each of the conference's postseason tournament receives an automatic invitation to participate in the NCAA tournament, where college basketball's national champion is crowned. The NCAA is currently in the middle of a 14-year contract with Turner Sports worth \$10.8 billion (Mann 2014). This contract gives Turner the rights to broadcast the NCAA's annual "March Madness" tournament. In 2013, \$190 Million dollars was split among conferences competing in the tournament (Mann 2014). The further an individual team advances, the more money its conference receives.

Adding a few hundred thousand dollars to a program's budget could be offset by a deep tournament run. Schools in Power 5 conferences (ACC, Big 12, Big Ten, Pac-12, SEC) have more flexibility to spend more because their conferences often get more teams in the NCAA tournament. North Carolina, for example, is better off than Northern Iowa because it plays in the ACC, which typically sends more teams to the tournament

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than the Missouri Valley. The six largest conferences (ACC, Big East, Big 12, Big Ten, Pac-10, SEC) took home an average of seven times as much money as their peers (Mann 2014).

Profits in major conferences are far greater than those in other, smaller conferences, who are losing money in some cases. This is a big reason why smaller conferences struggle to compete against the schools in major divisions.

FBS Conference	Average Profit Per School from 2005-2015 (<i>All Sports</i>)
SEC	\$7.3 Million
Big 12	\$6.3 Million
Big Ten	\$4.1 Million
Pac 12	\$2.3 Million
ACC	\$2.1 Million
American	\$723,000
Mid-American Conference	\$311,000
Mountain West	\$118,000
Western Athletic Conference	\$66,000
Conference USA	\$ (22,000)
Sun Belt	\$ (654,000)

Source: (McCready 2016)

It is clear that there is a large disparity in budgets and profits among conferences, but why do colleges have athletic programs in the first place, and where does the funding for athletics come from?

V. Why do colleges have athletic programs?

Athletic programs were initially put in place to help colleges recruit students during the expansion of postgraduate study (Grant, Leadley and Zygmunt 2008, 4). The purpose of athletic programs has pivoted over time as colleges have gained the resources necessary to support their graduate programs. Below are some of the incentives colleges have to create successful athletic programs.

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Direct Profits:

Athletic programs are a major source of revenue for select colleges. Media rights, ticket sales, and alumni donations contribute millions of dollars to elite programs like Michigan and Alabama. According to a study by ESPN, the University of Alabama brought in almost \$124 million in revenue from their football program in 2008 (Emma 2010). The school saw revenue of more than \$13 million from media and branding rights, \$28 million in ticket sales and almost \$30 million in donations (Emma 2010).

Enrollment:

While student-athletes may choose a college because of its athletic program, the reputation a school earns from sports can draw non-athletes as well. The idea that a school's athletic success is positively correlated with admissions is known as the Flutie effect (Grant, Leadley and Zygmunt 2008, 147). Doug Flutie was a star quarterback that led Boston College to a comeback win over Miami in a nationally televised game in the 1980's. Admission applications to Boston College increased by 16 percent the following year which caused many universities to ask if increased athletic spending could boost enrollment (Grant, Leadley and Zygmunt 2008, 311).

"Universities with more resources spend more on athletics, and get better students as a result. Schools spend resources on athletics because it, along with better education is what students want." (Osborne in Grant, Leadley and Zygmunt 2008, 51) But what happens to applications when a school's athletic performance begins to drop? "One could infer that the pursuit of athletic success by many schools simultaneously will create many losers for every winner, damaging the vast majority of schools that spend liberally in an attempt to achieve athletic success." (Osborne in Grant, Leadley and Zygmunt 2008, 51)

Boston College has downplayed the Flutie effect in recent years. It argued that admissions continued to rise despite losing seasons, and that admissions rose twelve of thirteen years prior to Flutie's arrival on campus (Grant, Leadley and Zygmunt 2008, 312). Rising admissions appear to be primarily correlated with success in football, and the boost in enrollment generally only lasts a year or two (Desrochers 2013). The overall impact of the Flutie effect is unclear, but many universities still attempt to attract more students through increased athletic spending.

Branding:

Fan loyalty and team spirit can engulf a campus and its surrounding community. Big name colleges like Ohio State, Notre Dame, Duke, and Kentucky have developed sports cultures that have made their schools household names. Successful branding can lead to larger donations from alumni and fans. The Oklahoma State athletic department received \$55 million in donations in 2008 (Emma 2010). Students who take pride in their school's athletic program may develop lifelong commitments to their fellow students and their school. Universities hope that this common bond pays off in the long-term when alumni gather together and donate to their alma mater.

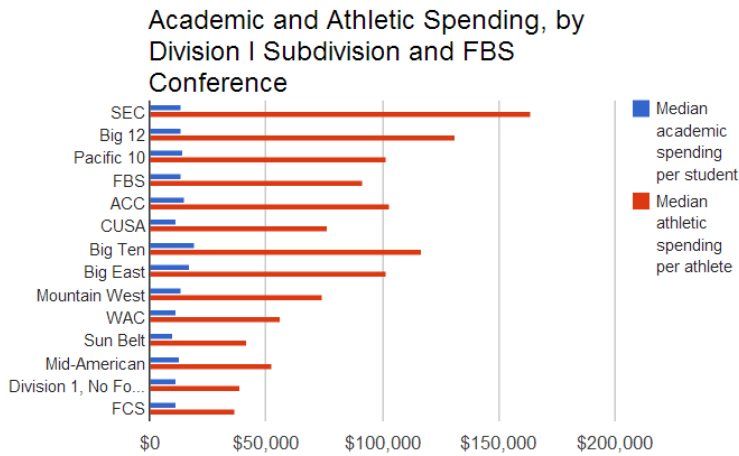
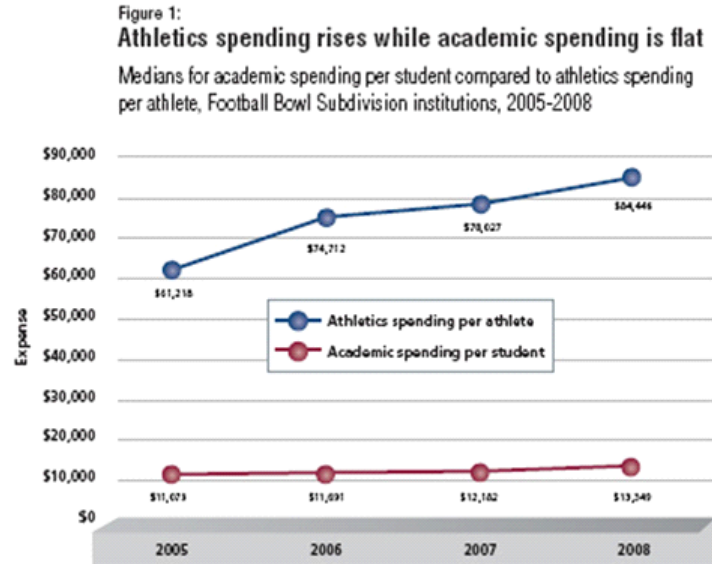
VI. Where does the funding for Athletic Programs come from?

Funding for public universities comes from a variety of sources including government subsidies, research grants, donations, sponsorships, and tuition and fee payments (Ridpath 2014). When debating ways to cut expenses for students, the focus is often put on lowering tuition, but many ignore the rising cost of student fees. According to a study from the Center for College Affordability and Productivity, student fees are increasing at a rate 13 percent higher than tuition (Ridpath 2014). These fees can cost an average of \$2000-5000 per year at some public institutions (Ridpath 2014). Many students are unaware how much of their money is allocated to athletics. The largest student fee across many non Power Five conferences is for intercollegiate sports. This athletic fee can be as large as 80 percent of the total fee amount at some schools (Ridpath 2014). Student fees allocated to athletics at the University of Northern Iowa totaled \$1,749,975 in 2014 (Earl 2015). Smaller conferences who do not have the budgets or television revenue of the major conferences try to compete through increased student fees and university subsidies.

The majority of athletic programs rely on student fees, donations, and subsidies from the school and state to survive. Subsidies for all of Division I athletics rose by nearly \$200 million from 2011 to 2013 (Berkowitz 2013). University spending on athletics has increased in recent years, while spending on academics has remained stagnant on average (Berkowitz 2013). This raises a question about whether universities are focusing too much on athletics instead of their primary purpose of

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providing students with a quality education. The images below shed light on how the average spending on student-athletes has outpaced spending on the average student.



Source: Knight Commission on Intercollegiate Athletics, 2012

Source: (Weebly 2015)

Each college has its own unique method to support its athletic programs. Twenty percent of athletic department income at FBS schools came from institutional support (Burnsed 2015). FCS institutions and those without football relied on institutional support for 70 percent of their budget (Burnsed 2015). In 2014, The University of Northern Iowa provided \$4,198,014 in scholarships and general expenses to its athletic department (Earl 2015). Many schools have not revealed exact figures about how much they spend on athletics, but the evidence is clear that most schools rely heavily on funds outside of their athletic departments to stay afloat.

Large parts of athletic departments' budgets are allocated to men's football and basketball, but a significant amount is spent on the less profitable sports. Cathy Andreen, a spokeswoman from the University of Alabama stated that, "The University continues to provide institutional support for Athletics, because Alabama believes that Title IX sports are important and we invest in them to ensure their ongoing success — as demonstrated by our softball, gymnastics and women's golf national championships" (Berkowitz 2013). Title IX and its potential impact on a college's ability to pay athletes will be discussed later on. Now that the sources of funding for athletic departments have been revealed, it's time to move into the economics behind the market for collegiate athletes.

VII. Monopsony in Collegiate Athletics

Every year, thousands of high school athletes offer their athletic talents to a college in return for some form of financial assistance and the promise of an education. Despite the large number of buyers and sellers in the market for college sports, the labor market for student-athletes cannot be described as competitive. The NCAA limits the "maximum institutional financial aid" that a student-athlete can receive during an academic year (Grant, Leadley and Zygmunt 2008, 128). This limitation on financial aid represents a form of price fixing. The NCAA put these restrictions in place to ensure that colleges are unable to compete for athletes on price. Consequently, the revenue contributed by the student-athlete to the school (the Marginal Revenue Product, or MRP), is sometimes greater than the scholarship they receive. The universities want to attract the best athletes possible in spite of these price restrictions, so they attempt to recruit athletes in other ways. Recruiters often highlight their athletic facilities, the reputation of their athletic programs, the academic reputation of the

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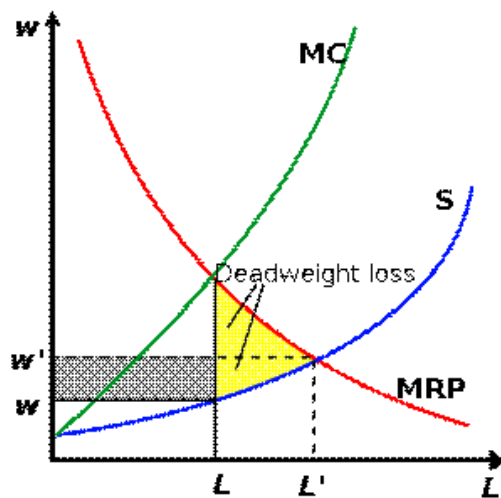
institution, and the amenities offered in their respective college communities. Student-athletes will also consider things like the variety of majors offered by the school, the distance the college is from their hometown, and other factors when deciding which college to attend.

A monopsony is a market with only one buyer (Becker and Posner 2011). Price fixing has created an effect similar to a monopsony in the NCAA. Monopsonies require an agreement among competitors not to pay more than a fixed price for a key input, such as labor (Becker and Posner 2011). By agreeing to pay less, the cartel purchases less of the input because less labor is supplied at the lower price. The NCAA has created a cartel that behaves like a monopsony by forbidding its members from paying its student-athletes. Monopsonies are generally illegal in the United States, but the NCAA has been able to successfully justify its monopsonistic behavior to this point. The NCAA is considered a non-profit organization because it is “organized and operated exclusively for academic purposes” (Grant, Leadley and Zygmunt 2008, 462). The NCAA argues that athletes are students first, and that they would be corrupted if they were given a salary on top of their scholarship. This, combined with the fact that the members of the NCAA, and the NCAA itself, are formally not-for-profit institutions, have allowed the NCAA to continue to enforce rules against paying student-athletes (Becker and Posner 2011).

Monopsonies will hire employees until the Marginal Revenue Product (MRP) is equal to the Marginal Cost of Labor (MCL). Monopsonies are forced to pay each additional worker the same wage as the previous worker that was hired because they are unable to wage discriminate. This explains why headcount scholarships are the same for each new student-athlete “hired” by a university. The reservation wage is the lowest wage rate at which a worker would be willing to accept a particular type of job (Wikipedia 2018f). Student-athletes’ reservation wage is less than or equal to the athletic scholarship that they choose to accept from a college. The marginal cost of labor is greater than the reservation wage that student-athletes are willing to work for. The difference between the MRP and the supply of labor is referred to as a monopsonistic rent (Grant, Leadley and Zygmunt 2008, 141). Monopsonies lead to fewer workers being hired and at a lower wage than they would receive in a competitive market. This benefits the NCAA at the expense of the student-athlete, because some elite athletes receive less than they would in a competitive market. In the absence of NCAA price fixing, some colleges would likely expand team rosters and increase compensation in certain headcount sports. More

student-athletes would be competing in these sports at the college level and they would be paid more as well.

However, there are clearly some athletes who benefit from the NCAA monopsony. It is important to recognize that scholarship athletes in low-revenue sports such as women's soccer or men's wrestling are likely receiving compensation above or close to their MRP. Athletes in low revenue-generating sports likely do not have much of an incentive to complain about NCAA practices. These athletes are subsidized by the monopsonistic rents generated by the more profitable sports, like men's football and basketball. The deadweight loss created by the NCAA monopsony is hard to ignore, but it is important to point out that there are student-athletes who benefit from the cartel.



Source: (Wikibooks 2014)

VIII. Do Division I schools have the ability to pay athletes?

When the question is raised about “if someone can be paid” there must be evidence about how much money they generate for their employer. A person with a low MRP is unlikely to receive a large wage, while someone with a high MRP will earn greater compensation in a competitive market. The revenue generated by athletes for their schools comes from many sources, including ticket sales, concessions, alumni donations, television

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and radio broadcasts, advertising, postseason tournament revenues, and potentially through increased enrollment (Grant, Leadley and Zygmunt 2008, 146). 90 percent of this revenue comes from television contracts (Grant, Leadley and Zygmunt 2008, 156).

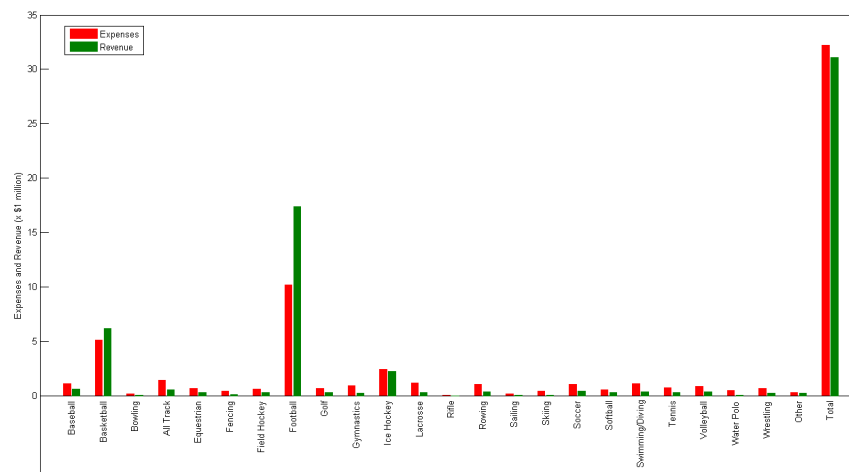
The economic contribution of some star collegiate athletes is well in excess of their athletic scholarship. Kemba Walker was a star point guard for the University of Connecticut's Division I championship basketball team in 2011. Walker was a major reason that the college was able to secure shares of revenues from television networks such as ESPN and CBS. So why did fans decide to tune in to UConn's games during the 2011 season? Did fans watch the games because of their interest in the mascots, coaches, and uniforms? Or was it the skills of Walker and his teammates that drew fans' interest? Walker's skills, combined with the talents of his teammates, brought in 196,671 fans to UConn's home games during the 2011-2012 season (NCAA 2017a). This resulted in large sums of revenue for the college that far outweighed the scholarship Walker received.

While there have been numerous college stars that have generated millions of dollars for their universities, there are not many athletic departments making money. Only 24 out of 130 FBS schools generated more revenue than they spent in 2014, according to the NCAA Revenues and Expenses of Division I Intercollegiate Athletics Programs Report (Burnsed 2015). Those 24 schools made an average of \$6 million in profit compared to just over \$8 million in 2013 (Burnsed 2015). According to a study from USA Today, about half of the remaining FBS schools are breaking even, and the bottom third of athletic departments are operating at a deficit (USA Today 2016). All of the schools that are profiting from collegiate athletics come from a power five conference. The table below shows the average Revenues and Expenses of athletic departments across all sports over the last decade.

Very few intercollegiate sports are profitable. Recent information provided by the NCAA shows that men's basketball and football are the only sports that earn revenues in excess of expenses.

College/Conference	Revenues	Expenses
1. Texas A&M/SEC	\$194,388,450	\$137,101,774
2. Texas/Big 12	\$187,981,158	\$171,394,287
3. Ohio State/Big Ten	\$170,789,765	\$166,811,018
4. Alabama/SEC	\$164,009,745	\$145,277,366
5. Michigan/Big Ten	\$163,850,616	\$157,872,099
145. Northern Iowa/MVC	\$17,726,437	\$18,491,770
227. Savannah State/MEAC	\$5,024,258	\$6,848,277
228. Mississippi Valley State/SWAC	\$4,288,571	\$4,288,571
229. Coppin State/MEAC	\$3,423,614	\$4,307,113
230. Alabama A&M/SWAC	\$2,592,683	\$9,372,315

Source: (USA Today 2016)



Source: (Matlab Geeks 2011)

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As of yet, no women's sports, or any sport at the Division II or Division III level, are close to being profitable (Burnsed 2015). This means that payments to athletes based on their MRP would result in large inequality. Payments would depend on the skills of the athletes, and the popularity of their sport. Could *all* college athletes, regardless of gender or sport, be compensated based on their MRP? Absolutely, but the majority of student-athletes would receive nothing because their MRP is close to zero. Athletes in low-revenue generating sports, like golf, would be hurt by a change from grant-in aid to payment based on productivity.

However, there are Division I schools in a position to pay their players a wage closer to their MRP. Monopsonistic rents captured by university athletic departments are spent in a variety of ways: recruiting, athletic department salaries, new construction of facilities, and maintenance of existing facilities (Grant, Leadley and Zygmunt 2008, 151). Paying these student-athletes might not increase the spending of athletic departments dramatically; it may just redistribute the spending. Rather than spending millions of dollars on coaches' salaries and fancy athletic facilities, some colleges could likely afford to pay their star players a more competitive wage.

IX. Why are some Athletic Departments losing money?

The NCAA's scholarship restrictions have created an "arms race" among its members to find ways to attract the best recruits to their colleges. The average amount spent per year by athletic departments has doubled in the past 10 years, from about \$33M in 2005 to over \$66M in 2015 (McCready 2016). This has led to unsustainable spending habits that are causing some schools to lose millions of dollars in hopes of becoming a successful program in the long run.

Recruiting:

Recruiting top athletes to a school is one of a coach's most important jobs. The recruiting process in collegiate athletics is ultracompetitive. It is not uncommon for high school All Americans to receive attention from dozens of Division I programs. The NCAA does not have any restrictions on the amount of money a school can spend on recruiting; it only limits the recruiting methods that schools can use. For this reason, it is no surprise that schools are willing to pull out all the stops to help them convince top recruits to sign a national letter of intent with their college.

The competitiveness of recruiting is another indicator that the NCAA is successfully operating like a monopsonistic cartel. The University of Oregon had a \$600,000 recruiting budget for its football team in 2004 (Grant, Leadley and Zygmunt 2008, 287). During one weekend visit that season, Oregon spent \$140,875 in transportation, meals, and entertainment for twenty four recruits. (Grant, Leadley and Zygmunt 2008, 287). Flying recruits around on private charters and treating them to lavish meals was commonplace until the NCAA banned these practices in 2004 (NCAA 2013a). Schools today continue to use innovative recruiting techniques to get top athletes, and if the NCAA later bans their methods, they will simply find other means to attract them. Recruiting is a major expense for many athletic departments, and a big reason why some schools are losing money on athletics.

Moving up to the Big Time:

Some colleges believe that increased spending on athletics will enhance the status of their institution and create enough revenue to offset the increase in expenses. Portland State University nearly tripled its budget when it moved from Division II to Division I FCS in 1996 (Grant, Leadley and Zygmunt 2008, 293). Expenses slightly outpaced revenues and deficits were made up by increases in student fees and institutional subsidies. “Some smaller institutions have coveted the potential revenues and public notice associated with high-profile sports programs, the temptation for these institutions to promote athletics has been intense and at times irresistible.” (Stern 2003)

Cross-Subsidization within Athletic Departments:

Most college sports at a typical Division I school lose money. As we’ve seen, the majority of revenues generated by athletic departments come from football and men’s basketball. The profits generated by these sports are typically used to subsidize less profitable sports. Colleges justify the pursuit of increased revenues through increased athletic spending on the grounds that failing to do so will result in the elimination of many sports for both genders. The counterargument to this is that some schools have cut sports during times when revenues were increasing within their athletic departments. Regardless, many athletic directors still cite cross-subsidization as a reason for their colleges to continue to run a deficit. University of Tennessee Athletic Director Doug Dickey stated, “The biggest fans of our football program are the volleyball coach and the crew coach” (Weiner 2002).

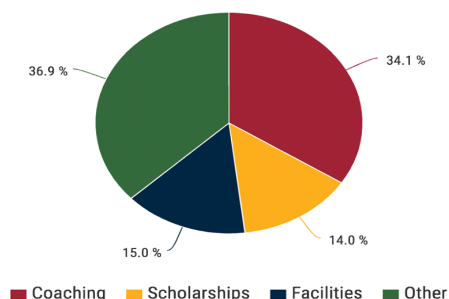
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Arms Race:

The NCAA “arms race” refers to the large amounts of money that colleges spend to differentiate themselves from other colleges to land the best recruits. Colleges spend millions of dollars annually on facilities to compete with other top-tier college sports programs. In 2014, 48 FBS schools spent a combined \$772 million on athletic facilities (Hobson 2015). Expenditures increased by 89-percent (adjusted for inflation) from the \$408 million that was spent in 2004 (Hobson 2015). Decades of exuberant spending on facilities has redefined what it takes to compete, and the spending does not appear to be slowing down. New arenas must now be complemented by practice facilities and lavish locker rooms covered in high-definition televisions with video game systems in order to lure top prospects.

Coaches’ salaries make up a major part of the NCAA arms race. It is not uncommon for Division I coaches to be the highest paid public employee in their respective states. A college football or men's basketball coach was the highest-paid employee in 39 of the 50 states in 2016 (Gibson 2017). The lowest salary paid to an FBS head coach was New Mexico State’s Doug Martin who made \$376,044 in 2017 (Schnaars 2018). College football's highest paid coach was Alabama’s Nick Saban, who received \$11,132,000 during the same year (Schnaars 2018). Assistant coaches at most Power 5 schools are paid very well too. The top 100 highest paid assistant coaches in Division I college football made at least \$500,000 in 2016 (Gibson 2017). Enormous spending on facilities and coaches salaries lead some to question why players aren’t receiving more financial support from colleges. The chart below provides a breakdown of how the average Division I athletic department spends its money.

How That Money Is Spent



Source: (McCready 2016)

X. Early Entry

Early entry is a situation where a player still has remaining years of college eligibility but chooses to opt out of collegiate sports in the hopes of a professional career. If a student-athlete leaves early and breaks NCAA amateurism rules, he will lose his athletic eligibility and will no longer be able to compete in collegiate athletics (NCAA 2014a). A current student-athlete loses amateur status in a particular sport by asking to be placed on the draft list of a professional league in that sport. Student-athletes' amateur status is lost even if the athlete is not drafted, or the athlete is drafted but does not sign an agreement with a professional team (NCAA 2018c).

A student-athlete, his or her parents, or the university's professional sports counseling panel may negotiate with a professional sports organization without the loss of the student-athlete's amateur status (NCAA 2018c). However, a student-athlete who retains an agent will lose his amateur status (NCAA 2018c). NCAA rules allow basketball players to leave college if one year has elapsed since high school graduation, or if three years have elapsed for football players (Grant, Leadley and Zygmunt 2008, 152). Football players are only draft-eligible for the NFL in the year after the end of their college eligibility (NFL Football Operations 2018).

The NCAA reformed its laws regarding top college basketball players' eligibility for the NBA draft in 2015 (NCAA 2018c). The changes allowed players with remaining college eligibility to compete in the NBA draft combine and speak with teams to get a better feel for where they might be

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taken in the draft without losing their amateur status. Student-athletes can enter the NBA draft multiple times without jeopardizing eligibility and may participate in the combine and one tryout per NBA team, per year (NCAA 2016). Underclassmen who declare for the draft must remove their name by April 10 to retain eligibility (NCAA 2018c). If underclassmen declare after April 10, they will lose all remaining college eligibility (NCAA 2018c). Upperclassmen must remove their name from the NBA draft list 10 days after the conclusion of the NBA draft combine to remain eligible (NCAA 2016). The NBA combine is scheduled to take place May 16-20 this year. According to the NCAA website, the rule change was designed, “to help student-athletes make a decision earlier than in the past to focus on either academics or athletics and also give coaches more flexibility with roster-planning and recruiting.” (NCAA 2014a).

Many players who decide to leave school early do so because the opportunity cost of staying in school is outweighed by the potential of earning a lucrative contract in professional sports. Student-athletes from disadvantaged households often leave early in an attempt to support their families. Critics of early entry are correct when they say that the odds of success are stacked against those who leave college early. Just 1.1 percent of college basketball players and 1.5 percent of college football players play a game in a major sports league according to the NCAA (NCAA 2017b). For every player who successfully makes it to the pros, there are dozens more who do not. In many cases, those who fail to make it to the pros cannot resume their collegiate career because of the NCAA’s amateurism rules. Some of those who lose eligibility are unable to afford to return to school because of the finances required.

The NCAA argues that its limitations on leaving early are in the best interest of the student-athlete. Early entry rules were designed to push student-athletes toward finishing their degrees and to protect them from falling victim to the pressures of agents, the greed of their friends and family, and their own unrealistic expectations. The NCAA encourages those interested in pursuing a pro career to finish their degree so they have something to fall back on if their pursuit doesn’t work out. While early entry mainly applies to athletes in male sports, it is time to examine Title IX and discuss the potential implications it may have on paying student-athletes.

XI. Title IX

Title IX is seen as a major roadblock for those who want division I athletes to earn a salary. Title IX is a federal law passed in 1972 that states: "No

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person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance." (NCAA 2014b). Title IX applies to all educational institutions that receive federal funds. While this law was originally created to apply to education programs, most Title IX lawsuits today involve college athletics. According to the NCAA website, there are three basic parts of Title IX that apply to college athletics:

1. Participation: Title IX requires that women and men be provided equitable opportunities to participate in sports. Title IX does not require institutions to offer identical sports but an equal opportunity to play;
2. Scholarships: Title IX requires that female and male student-athletes receive athletics scholarship dollars proportional to their participation; and
3. Other benefits: Title IX requires the equal treatment of female and male student-athletes in the provisions of: (a) equipment and supplies; (b) scheduling of games and practice times; (c) travel and daily allowance/per diem; (d) access to tutoring; (e) coaching, (f) locker rooms, practice and competitive facilities; (g) medical and training facilities and services; (h) housing and dining facilities and services; (i) publicity and promotions; (j) support services and (k) recruitment of student-athletes.

Source: (NCAA 2014b)

Colleges are responsible for making sure that they are in compliance with federal laws. Title IX establishes that "there cannot be an economic justification for discrimination" (NCAA 2014b). Colleges cannot claim that there are revenue or other considerations that mandate that certain sports receive better treatment or participation opportunities than other sports (NCAA 2014b). If rules were changed that allowed players in revenue-earning sports to earn money, Title IX would likely require that all athletes in other sports receive the same compensation. Charles McClelland, athletic director at Texas Southern University said:

I can't see the NCAA passing any legislation to allow additional pay just based on revenue-producing sports, knowing all the other sports would be adversely affected. Instead, they would have to come up with some kind of formula that would work for all

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student-athletes, male and female, versus just those programs that are making money. (Voepel 2011).

Title IX does not directly address whether there is a requirement for all student-athletes to receive equal compensation beyond their scholarships. The law only addresses scholarships and other benefits that have already been established by NCAA rules (Voepel 2011). Title IX has rarely been analyzed by courts in terms of pay, largely due to NCAA price fixing. It is impossible to know how the Supreme Court would rule on this until they actually have to decide a case. For the purpose of this paper, I will assume that the Supreme Court would require all athletes in all sports to receive equal compensation if reforms to current NCAA rules were made.

XII. Cheating in College Sports

For as long as sports have existed there has been cheating, and collegiate sports are no exception. By keeping the amount paid to elite athletes low compared to their financial value, the NCAA has created an incentive for some colleges to recruit elite players and keep them eligible by any means. Some colleges will turn a blind eye to phony courses, unearned grades, and tutors who write papers and take tests for athletes.

The NCAA has established severe penalties to try to prevent colleges from breaking their rules. Violations are classified into four categories: Level I, Level II, Level III, and Level IV violations. The new structure was created in 2013 to replace the two-tier approach that focused on major and secondary violations (NCAA 2013b). The head coach is responsible for all violations that occur in their program (NCAA 2013b). Level I violations are considered the most severe and often result in a loss of eligibility (NCAA 2013b). Level IV violations are considered to be “isolated or limited in nature” and generally do not affect student-athletes’ eligibility. The NCAA enforcement committee uses judgement to decide the penalty given to violators, which often results in different penalties for different colleges. Universities who self-report violations may receive more lenient penalties. The chart below describes the different levels of violations and some of the penalties associated with each violation according to the NCAA website.

Violation	Examples of Violations	Penalty
Level I: Severe breach of conduct	<ul style="list-style-type: none"> • Lack of institutional control • Academic fraud • Failure to cooperate in an NCAA enforcement investigation • Individual unethical or dishonest conduct • Head coach responsibility violation by a head coach resulting from an underlying Level I violation by an individual within the sport program. • Impermissible Benefits >\$100 (Any special arrangement by an institution employee or a representative of the institution's athletic interest that provide a student-athlete a benefit that is not generally available to other students and their relatives and/or friends, or, is not expressly authorized by NCAA legislation) (Niagara University 2018). 	<ul style="list-style-type: none"> • Postseason Ban (0-4 Years) • \$5000 Fine + 3-5% of Total Sports Program Budget • Scholarship reduction in Sport involved (0-50% reduction) • Head coach suspended (0-100% of the season) • Recruiting visit restrictions (0-26 week ban, 0-50% reduction in visits) • Recruiting communication restrictions (0-26 week ban on communication with all prospects) • Probation 0-10 Years
Level II: Significant breach of conduct	<ul style="list-style-type: none"> • Violations that do not rise to the level of Level I violations and are more serious than Level III violations. • Failure to monitor. • Systemic violations that do not amount to a lack of institutional control. 	<ul style="list-style-type: none"> • Postseason Ban (0-2 Years) • \$5000 Fine + 0-3% of Total Sports Program Budget • Scholarship reduction in Sport involved (0-25%) • Head coach suspended (0-50% of the season)

Violation	Examples of Violations	Penalty
Level II: Significant breach of conduct (continued)	<ul style="list-style-type: none"> • Multiple recruiting, financial aid, or eligibility violations that do not amount to a lack of institutional control. • Impermissible Benefits (>\$100) • Collective Level III violations. 	<ul style="list-style-type: none"> • Recruiting visit restrictions (0-13 week ban, 0-25% reduction in visits) • Recruiting communication restrictions (0-13 week ban on communication with all prospects) • Probation 0-6 Years
Level III: Breach of conduct	<ul style="list-style-type: none"> • Violations that are isolated or limited in nature; provide no more than a minimal recruiting, competitive or other advantage; and do not include more than a minimal impermissible benefit. Multiple Level IV violations may collectively be considered a breach of conduct. • Impermissible Benefit \$100 or less 	<ul style="list-style-type: none"> • No Postseason Ban • \$5000 Fine • No Scholarship reduction • Head coach suspended (0-25% of the season) • No recruiting restrictions • Student-athletes must repay the value of impermissible benefit less than \$100 to a charity prior to competing in the next contest
Level IV: Incidental issues	<ul style="list-style-type: none"> • Incidental infractions that are inadvertent and isolated, technical in nature and result in a negligible, if any, competitive advantage. Level IV infractions generally will not affect eligibility for intercollegiate athletics. 	<ul style="list-style-type: none"> • No Postseason Ban • \$500-5,000 Fine • No scholarship reduction • No Head coach suspension • No recruiting restrictions

Source: (NCAA 2013b)

The more serious the violation, the more severe the penalty. Penalties from the NCAA range anywhere from a loss of scholarships to the “death penalty.” The death penalty is the popular term used to describe the NCAA’s power to ban a school for at least one year from competing in a sport where a violation occurred (Wikipedia 2018b). It is the harshest penalty that an NCAA member school can receive and it has only been implemented five times (Wikipedia 2018b). The Southern Methodist University football program was given the death penalty in 1987, after it was proven that “under the table” payments were given to student-athletes and their families to entice them to play at SMU (Wikipedia 2018f).

Despite the risk of harsh penalties from the NCAA, cheating scandals continue to arise. In 2018, the NCAA stripped the 2013 National Championship from the University of Louisville’s men’s basketball team after evidence arose of coaches using sex workers to aid recruiting (Ranker 2018). According to documents published by Yahoo sports, at least 20 division I programs have been cited in an ongoing FBI investigation that accuses them of providing impermissible benefits to current and former college basketball players (Goodman 2018). Multiple academic scandals regarding player eligibility have come about over the years as well. In 1999, the University of Minnesota was punished after it was proven that a graduate advisor wrote over 400 academic papers on behalf of players (Ranker 2018).

After decades of scandals, more corruption seems inevitable unless changes are made. It is important to point out that many of the schools committing these violations come from Power Five conferences where the profits are highest. More than a quarter of all Division I colleges, and more than half of the members of Power Five conferences, have committed Level I or Level II violations in the last decade (Lederman 2016).

Reforming NCAA rules concerning the payment of athletes may be enough to end violations against NCAA rules.

XIII. Arguments for Paying Student-Athletes

College sports at the Division I level are big business. Many athletic departments are multi-million dollar enterprises, and the athletes who drive these enterprises receive very little of the revenue. Colleges may have the ability to pay athletes a more competitive wage by restructuring their athletic department spending, or by reforming the distribution of funds by the NCAA. Here are the possible benefits of compensating

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players in excess of their scholarships.

Reduction of Economic Exploitation:

Star players who have the talent to be drafted into professional sports leagues have the potential to bring in millions of dollars to their colleges. Players like Oklahoma point guard Trae Young, or Heisman-winning quarterback Lamar Jackson, attract a national following for their teams. These elite players are exploited by the monopsony created by the NCAA. The value of scholarships for star players is far below what they would receive in a competitive market. The average value of a scholarship for a men's basketball or football player was \$38,246, and \$36,070 respectively in 2015 (Scholarship Stats 2014). Economists have estimated that a star player on a Division I football or basketball team generates \$406,914 to \$1,194,469 for his school per season (Stars in the study were defined as a player who is drafted by the NFL or NBA) (Brown and Jewell, 2004). The same study revealed that elite women's basketball players, like former Baylor star Brittney Griner, can generate an estimated \$250,000 for their school per season (Brown and Jewell, 2004). The revenues generated by these student-athletes for their -athletic departments are far greater than the value of the athletic scholarships they receive.

College Sports are a Full-Time Job:

Being a college athlete requires one hundred percent dedication. These student-athletes must find ways to manage their time between weightlifting, attending daily practices, performing well academically, and being ready to play games each week. Students who are not involved in sports have more time to find a job to help support themselves. College athletes do not have this ability and should be helped financially for their time.

Injury Risk:

Players are injured quite frequently in college athletics. Sometimes the injuries are so severe that they may completely end the sports career of the student-athlete. The NCAA's one year renewable scholarship policy does not protect players who are injured from losing their scholarships (NCAA 2017c). Coaches are allowed to take a student-athlete's scholarship away if injuries prevent them from performing up to their expectations. Athletes should be compensated for the risk of sustaining a serious injury and the potential loss of their scholarship.

Reduction in Corruption:

Removing the NCAA's pricing restriction and allowing colleges to pay athletes may reduce colleges' incentives to cheat by paying players "under the table." Corruption involving coaches, boosters, and others trying to exploit athletes would likely be reduced if colleges were given the ability to pay players. Reductions in cheating would likely reduce the cost of recruiting, and the amount spent on facilities in the arms race. If pricing restrictions were removed, larger portions of monopsonistic rents could be given to the players that are contributing to the college's revenue streams, instead of being spent on upgrading facilities.

Support for their Family:

Many players being exploited by the NCAA monopsony come from urban low-income families. Star players often leave school early because of pressure to be a main provider for their family at a young age. While student-athletes who receive full scholarships are given most of the necessities they need, their family members back home may still be struggling. Paying student-athletes would allow players to give money back to the families who helped them get to the Division I level.

Potential Reduction in Development Costs:

Granting colleges the ability to pay athletes would likely cause colleges to pursue relationships with professional sports leagues who have interest in the development of their players. The NCAA currently trains future professional athletes at no cost to the professional leagues. If student-athletes were paid, these leagues would be more likely to step in and support the development of top prospects, which would save colleges money in development costs.

Discourages Early Entry:

Many student-athletes who decide to leave college early to pursue a professional sports career do so because the opportunity cost of staying in school is too high. If these players received compensation in addition to their scholarships, the opportunity cost of staying in school would be reduced, which would cause more student-athletes to return to college. This would result in higher graduation rates and a lower failure rate among players who try to leave school early to pursue a professional sports career.

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Non-graduates will be in a more advantageous position:

Not every student-athlete who attends a college goes on to receive a degree from the university. Paying players would put those who fail to graduate in a better economic situation than they would have been in if they were not paid during their time in college.

Prepares Student-Athletes for the Major Leagues:

Many players who go straight from college to making millions of dollars in professional sports leagues do not know how to manage their money properly. A large percentage of professional sports players go broke within a few years of retirement. Paying them during their college days might teach them how to manage their money better, and may prevent them from making the same mistakes as former college stars.

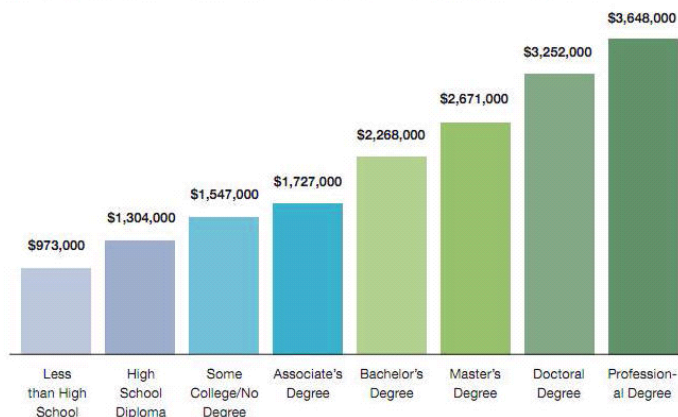
XIV. Arguments Against Paying Student-Athletes

Many of those in favor of paying student-athletes fail to acknowledge the issues related to compensating them. The biggest argument against paying college athletes is that they are already being paid with an athletic scholarship that is worth \$20,000 to \$50,000 per year (Scholarship Stats 2014). This scholarship does not include the free gear, first class coaching, or the unlimited use of top-notch athletic facilities that these student-athletes also receive from colleges. Here are some of the arguments and consequences that may result from compensating players in excess of their scholarships.

Education:

Education is the primary benefit offered by NCAA colleges. Earning a college degree will help former players earn more money than those who only have a high school diploma, regardless of whether they pursue a professional sports career. Colleges provide their student-athletes with free tutoring, study groups, and other support systems to help them keep up with academics. Bachelor's degree holders earn 31 percent more than workers with an Associate's degree and 74 percent more than those with just a high school diploma (Friedman 2011).

FIGURE 1: MEDIAN LIFETIME EARNINGS BY HIGHEST EDUCATIONAL ATTAINMENT, 2009 DOLLARS



Source: (Frank 2011)

The average student in the class of 2016 graduated with \$37,172 in student loan debt (Student Loan Hero 2018). Student-athletes on full scholarship can graduate with a four-year degree without accumulating any debt from student loans; that is something many of their classmates will not be able to do. The NCAA is adding thousands of dollars to student-athletes lifetime earnings by providing full scholarship athletes with a free education. The value of the free education provided by colleges should be enough compensation for student-athletes.

Student-Athletes receive numerous benefits:

In addition to a free education, student-athletes also receive free books, room, board, and allowances to cover the incidental costs of college such as transportation and personal expenses. In April 2014, the Division I Board of Directors voted to allow schools to provide scholarship and non-scholarship athletes with unlimited meals and snacks (Berkowitz and Kreighbaum 2015). Student-athletes competing in headcount sports are given everything that they need to survive, along with additional stipends that can be used for almost anything. This should eliminate the need for additional compensation.

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Free Training/Exposure:

The NCAA serves as a free developmental league for all five major sports leagues in America (MLB, MLS, NBA, NHL, NFL). College provides student-athletes with a national stage that allows them to demonstrate their talents in front of thousands of fans and professional scouts. Student-athletes are given the best training, coaching, and facilities in developmental sports. Elite student-athletes often decide to go to college because they believe that it will give them the best chance of being drafted into a professional sports league. The free training and exposure provided by the NCAA adds even more value to student-athletes' scholarships.

Decreased Interest in College Sports:

The competition to gain viewers among collegiate athletics and professional sports has been present for decades. The entities have been able to coexist for years because of agreements made between the NCAA and professional sports leagues to broadcasting games on different days. These agreements are why you typically see television broadcasts of college football on Saturdays and broadcasts of NFL football games on Sundays (Grant, Leadly and Zygmunt, 2008, 40). Amateurism is a key factor that draws some sports fans toward collegiate athletics and away from viewing professional sports. Some viewers may be turned off by the professionalism that would be established if student-athletes earned a salary in excess of their scholarship. Paying student-athletes may lead to fewer people watching college sports, which would reduce the NCAA's revenue stream and potentially cause conflicts with their television partners.

Great Inequality in Compensation:

There is a large disparity in the revenues earned from different sports across college athletics. If Title IX restrictions were lifted, and colleges were able to compete for athletes in an open market, there would be a large imbalance in the compensation offered to prospective student-athletes. Schools with the largest budgets would be able to offer top prospects the most money, which would widen the competition gap that already exists between conferences even further. In an open market, conflicts may arise within locker rooms because some players would be earning more than their teammates. Salaries may also put increased pressure on student-athletes to succeed. If salaries were announced to the public, fans' expectations for student-athletes would rise directly with the salaries they

receive. This increased pressure could negatively affect student-athletes on the playing field and hurt their ability to perform in the classroom as well.

Paying Athletes may Eliminate some Non-Revenue Sports:

A major concern of those opposed to paying players in revenue generating sports is the potential for the elimination of sports that are not profitable. Title XI currently protects these sports from discrimination, but the law does not specifically address compensation in excess of scholarships, which leaves the door open for potential changes. If colleges had to start paying college athletes in men's football and basketball, the money would have to come from other parts of the college's budget. I've suggested that payments for student-athletes could come from a reduction in spending on coaches' salaries and facilities. Some colleges might restructure their spending like this, but many colleges would likely begin to cut funding for other programs in order to make up for the increased expenses. This would harm student-athletes of both genders who compete in non-revenue sports.

Less Emphasis on Academics:

Spending increases on college athletics have already led some to question if colleges are too focused on sports instead of improving the education offered to students. Compensating student-athletes would reinforce this narrative, and put even more pressure on student-athletes to perform well on the field. Student-athletes receiving salaries might be more likely to spend time training to justify their salary instead of focusing on academics. Paying student-athletes may also create a divide between student-athletes and their fellow classmates. Student's might develop an "Us vs Them" mentality towards student-athletes, especially if their salaries were paid for by increased student fees. Collegiate sports are designed to bring campuses and communities together, but paying players might damage this relationship.

Some Student-Athletes couldn't Handle Additional Compensation:

The NCAA has suggested through its amateurism policies, that student-athletes may be corrupted if they received additional compensation outside of their scholarships. Student-athletes are not given an option about what their scholarship money goes towards. While I'm sure many student-athletes would be able to responsibly handle additional funds,

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some student-athletes may struggle to do so. Paying student-athletes might lead some to spend money on illicit activities or make poor financial decisions. This could potentially damage the reputation of colleges and their respective athletic programs.

XV. Critiquing Both Views

A. Weaknesses in the Argument for Paying Student-Athletes

It's a Full Time Job:

Student-athletes put in countless hours of work to develop their games and succeed at the Division I level. While it is true that regular students have more time to get jobs to support themselves than student-athletes, many of these students must also work long hours to pay for many of the things student-athletes receive for free.

Injury Risk:

Intercollegiate athletes, particularly those participating in violent sports like Football and Hockey, subject themselves to significant injury risk. These same athletes have been subjecting themselves to similar injury risks in youth sports long before they got to the college ranks. These student-athletes are not forced to participate in intercollegiate sports, and if the risk of injury is too high, they could consider other options instead.

Reduction in Corruption:

Removing price restrictions would likely prevent some colleges from paying players “under the table”, but there is no guarantee that it would completely eliminate corruption in college sports. Colleges are constantly trying to get a recruiting edge. What would stop colleges from offering top prospects gifts in addition to the wages they would receive? The NCAA would be forced to hire additional oversight to monitor transactions between colleges and student-athletes. The expense of additional oversight would likely outweigh the potential savings that may come from reductions in cheating.

B. Weaknesses in the Argument Against Paying Student-Athletes

Education:

The ultimate goal of the college experience is to graduate college. The NCAA reported that its Graduation Success Rate (GSR) for student-athletes hit an all-time high of 87 percent based on the 2014-2017 graduating classes at Division I schools, which is higher than the typical graduation rate for non-athletes (Wharton 2017). While this measure may appear good on paper, student-athletes graduation rates do not tell the whole story. The average GSR for football and men's basketball players from Power 5 conferences was 69 in 2017 (Rittenberg 2018). Student-athletes GSR is not reduced for those who leave school in good academic standing, but the Federal rate for non-athletes is reduced for this (Steinbach 2011). The 87 percent rate also marked the first time student-athletes from Ivy League colleges were used for the study (Wharton 2017). Both of these things inflate the GSR for student-athletes to a rate higher than it has been in the past.

The education argument ignores the fact that some degrees are worth far more than others. Clustering is a term used to describe a situation where 25 percent or more of a student-athlete population is pursuing the same major (Steinbach 2011). Many student-athletes are clustered into majors that don't set them up for success later in life. A study from USA Today found that 58 percent of junior and senior football players at the University of Southern California majored in sociology in 2007 (Lederman 2008). The same study also found that 31 of 41 football players at the University of Michigan majored in general studies. (Lederman 2008). Clustering raises the question if some schools are routing their players to take easier courses that will allow them to remain eligible, instead of pushing their student-athletes to pursue majors that interest them. Clustering diminishes the increased lifetime earnings argument touted by those against paying student-athletes based on education. How can a student-athlete "fall back" on a degree if it has no real world value?

Academic cheating scandals regarding player eligibility continue to come to light. The University of North Carolina was placed on probation by its accrediting organization in 2011 after evidence of over two hundred questionable classes materialized (Wikipedia 2018c). Internal investigations showed evidence of unauthorized grade changes, and a disproportionate representation of student-athletes enrolled in independent study classes (Wikipedia 2018c). These independent study classes were

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structured similarly to Directed Research, but it was alleged that multiple student-athletes had their semester-long papers written for them by someone else. The NCAA ruled in 2017 that it could not punish North Carolina because the classes were not offered exclusively to student-athletes (Tracy 2017). Despite a lack of discipline from the NCAA, the scandal still raises questions about how seriously some colleges are taking the education of their student-athletes.

Decreased Interest in College Sports:

Many collegiate sports fans claim that student-athletes amateur status is a contributing factor to why they prefer to watch college sports over professional sports. Some opposed to paying student-athletes claim that they will stop watching college sports if student-athletes are paid. But in many cases, there is a difference in what people say they will consume, and what they actually consume. The number of fans who stop watching college sports could also be offset by an increase in viewership from those who prefer to watch professional sports.

Now that I've addressed both sides of the argument, I will provide my own opinion about student-athletes' amateur status.

XVI. Analysis

Compelling arguments can be made concerning both sides of the amateurism debate. It is important to point out that many of the arguments on both sides are opinionated, and that the full impact of paying student-athletes could not be known for sure unless a formal change were implemented by the NCAA. There is no question that some elite student-athletes are receiving far less money than they would be worth in a competitive market. Economists have estimated the value of these star student-athletes to be far greater than the value of the scholarship they receive. Despite this, I do not believe colleges should compensate student-athletes in excess of their athletic scholarships. The number of student-athletes financially exploited by the NCAA represent a small fraction of those competing in Division I sports. The majority of student-athletes receiving athletic scholarships compete in conferences that are unprofitable and in sports that lack the popularity of men's football and basketball. These student-athletes are receiving more benefits from their scholarships than they bring in to their colleges.

Student-athletes are given scholarships that cover tuition, the cost of

food, transportation, and living expenses. Student-athletes are also given an opportunity to pursue a degree that has the potential to benefit them long after their athletic careers are over. Clustering and academic scandals have made some question the quality of education provided to some student-athletes. Despite this, I believe that most colleges take the education of their student-athletes very seriously. Colleges provide these student-athletes with tutors and other resources that will help them succeed. Student-athletes have the ability to choose their own majors and are the ultimate drivers that determine how much they take away from their college experience. I cannot attest to the academic challenges that come along with being a student-athlete, but the value of a chance to earn a degree and potentially raise future earnings without acquiring debt is hard for me to ignore.

Elite student-athletes with aspirations to make it in professional sports benefit immensely from the training provided to them by colleges. These student-athletes are given access to the finest facilities in the nation, and receive guidance from coaches at the highest level of their sport. Student-athletes can access top-notch weight rooms and practice courts at almost any time. Unlimited meals and professional strength coaches give student-athletes resources that help them strengthen their bodies. Coaches constantly give advice to student-athletes and help them find ways to improve their game. It would be very difficult for most student-athletes to develop into players capable of competing at the professional level without the resources provided to them by colleges. These student-athletes also benefit from the ability to compete in front of professional scouts. Many student-athletes would not be noticed by professional sports leagues if they decided not to compete in the NCAA. The free training and exposure are reasons why student-athletes decide to compete in college instead of pursuing other options.

The Title IX law is a big reason why I am against paying student-athletes. The profits brought in to Power 5 conferences through men's basketball and football are often large enough to justify payments to student-athletes in these sports. However, many of the schools from Power 5 conferences would not have the funds necessary to compensate student-athletes in all sports. Colleges could attempt to compensate student-athletes by reorganizing their athletic department budgets and reducing coaches salaries, but I'm uncertain how likely it would be for colleges to use this strategy. Colleges without the necessary funds to pay student-athletes may begin to eliminate non-revenue sports or increase their

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student fees and university subsidies. This approach would siphon more money away from education, cause students to acquire more debt, and harm student-athletes competing in unprofitable sports.

The profit margins of the top twenty four major colleges do not represent the margins of the majority of colleges competing in Division I athletics. There are 179,200 student-athletes competing for 351 colleges around the United States (NCAA 2018a). Almost all of the colleges competing at the Division I level are struggling to break even, or losing money on athletics. If every Division I student-athlete received just \$5,000 a year from colleges on top of their scholarship, it would add \$896,000,000 to nationwide athletic expenditures, or an average of \$2,552,706 per school. Athletic Departments from most colleges would have a difficult time justifying payments to student-athletes when their program is already operating at a deficit.

It would not be equitable for Division I colleges to compensate all student-athletes in excess of their scholarships, but I do believe reform to NCAA amateurism laws are needed to allow elite student-athletes to monetize their value. Estimating the number of student-athletes who are hurt by NCAA price fixing is a difficult task, even among a roster of student-athletes competing on the same team. The star player on a Division I basketball team is far more valuable to his college than his teammate grabbing water bottles at the end of the bench. Because of this, I believe that it would be very difficult for the NCAA to come up with a system that compensates all players. Instead of creating a system that directly pays student-athletes, the NCAA should reform its amateurism rules and allow student-athletes to accept endorsement deals without losing their eligibility. This system would allow the best players who are being exploited to earn a wage closer to their true value, without costing colleges any additional money. Student-athletes are the only class of people on campus who have their talents financially restricted. Students in other organizations are allowed to apply their talents to any profession they choose. For example, a student on full scholarship in a music program is allowed to profit by performing at shows or signing with record labels without any penalty. Why should student-athletes be banned from cashing in on their skills when non-athletes who receive similar benefits are allowed to do so?

Here is a list of some things that the NCAA currently restricts that I would like to see modified.

Amateurism Regulations	Analysis
<p>Student-athletes are not eligible in any sport if, after you become a student athlete, you accept any pay for promoting a commercial product or service or allow your name or picture to be used for promoting a commercial product or service. (Bylaw 12.5.2.1)</p>	<p>Student-athletes should be allowed to profit from appearances in commercials that promote various products or services.</p>
<p>Student-athletes are not eligible in any sport if, because of your athletics ability, you were paid for work you did not perform, were paid at a rate higher than the going rate or <i>were paid for the value an employer placed on your reputation, fame or personal following</i> (Bylaw 12.4)</p>	<p>Student-athletes should not be paid for work they didn't perform at unfair wages. However student-athletes should be allowed to be paid based on the personal following they have gained from their athletic gifts. For example, the NCAA currently bans student-athletes from receiving money for signing autographs; this is a restriction I would like to see changed.</p>
<p>Financial Aid Regulations</p>	
<p>Student-athletes must report to their institution, any financial aid that they receive from a source other than your institution. However, you do not need to report financial aid received from anyone whom you are naturally or legally dependent (Bylaw 15.01)</p>	<p>No changes needed. Student-athletes should continue to receive the financial aid provided to them by institutions through their scholarships and should be required to report the new endorsement deals they sign to the NCAA.</p>
<p>Academic Standards</p>	
	<p>No changes needed. The NCAA should keep the current academic standards in place to promote academic success among student-athletes. I will discuss how the NCAA may be able to use endorsements to incentivize student-athletes to graduate later in my analysis.</p>

Source: (NCAA 2012)

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The easiest way the NCAA could allow student-athletes to earn money throughout their college careers is by allowing student-athletes to profit from existing apparel contracts that are already in place for their practice equipment and uniforms. The majority of Division I schools have apparel contracts that could serve as sources of revenue for student-athletes. UCLA and Under Armour are currently in the middle of a 15 year, \$280 million apparel deal (ESPN 2017). Despite the allure of this option, it would be very difficult for colleges to restructure their apparel contracts and determine what share student-athletes should receive. For this reason, it would be better for the NCAA to allow local endorsements so that competitive markets can determine a student-athlete's value.

Allowing student-athletes to accept endorsements would cause some student-athletes to stay in school longer because they would be allowed to earn real money for their time spent in college. Star players staying in college longer might increase interest and the revenue earned by their athletic programs. One common argument against the compensation of collegiate athletes is that it would take the focus off the 'student' aspect of being a 'student-athlete,' and that many students would lose dedication to their education. In order to promote the "student" aspect of intercollegiate athletics, the money earned from endorsements by student-athletes could be placed into a trust fund similar to a 401k (Sallee 2018). The trust fund could be accessed tax free after a student-athlete graduates from college. If a student-athlete wanted to access the money before they graduate, it could be taxed similarly to how the federal government taxes early withdrawals of 401ks. This system would encourage student-athletes to focus on academics and push them to graduate instead of leaving college early. The NCAA could use its current enforcement system to monitor transactions. The trust funds could be managed by any of the NCAA's financial partners and student-athletes could be given the freedom to adjust their trusts in any way they choose as long as the money is not withdrawn until after graduation. This system could reinforce clustering and cause player's to cheat to remain eligible, but these consequences are nothing new.

It's undeniable that allowing student-athletes to accept endorsements would create recruiting advantages for wealthier colleges. Coaches from Power 5 conferences could say things like, "If you go to that Sun Belt school there's a pizza place that might sign you to a \$10,000 endorsement deal. But there's a \$50,000 endorsement deal with a sporting goods store available if you sign with us." This means that the powerful colleges with

the biggest budgets would have advantages over smaller colleges when signing recruits. This wouldn't change things significantly, as this is already how recruiting in football and men's basketball operates. Top recruits often choose to go to the more profitable colleges because they provide them with the best facilities and training. The competitive balance in these sports wouldn't change much if endorsements were made, but there would be a clearer view about why recruits choose different colleges.

Allowing student-athletes to sign endorsements is a concept that may not be as improbable as you might think. NCAA president Mark Emmert said this when asked by the Associated Press about possible reform: "There's a lot of discussion about the Olympic model, and I think it's well deserving of serious consideration inside the context of college sports" (Sallee 2018). The "Olympic model" addressed by the NCAA president is similar to the model I've discussed. Olympians are allowed to secure endorsement deals and get paid for signing autographs while maintaining their status as amateurs. Emmert's comments come in response to growing pressure for change put on the NCAA by student-athletes and professional sports leagues like the NBA.

The NCAA currently serves as a free developmental league for professional sports leagues. If the NCAA decided to revert back to its original system of pure amateurism with no athletic scholarships offered to student-athletes, the professional sports leagues would be forced to create their own minor league systems. Despite a lack of change from the NCAA, ongoing FBI investigations into college basketball recruiting scandals have caused the NBA and other leagues to revisit their approach to how they develop amateur players. NBA commissioner Adam Silver said this when asked about corruption in college basketball;

A plan is expected to include the NBA starting relationships with elite teenagers while they are in high school, providing skills to help them develop both on and off the court. It would ultimately open an alternate path to the NBA besides playing in college and a way 18-year-olds could earn a meaningful salary either from NBA teams or as part of an enhanced option in the developmental G League (Sharp 2018).

The changes proposed by the commissioner may have a significant impact on college basketball in the future. Elite NBA-level players who formerly attended basketball powerhouses like Kentucky may decide to sign directly

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with the NBA development league to earn a salary. The NBA currently allows players to go straight to the G-League out of high school, but players are not eligible for the NBA draft until they are 19 years old and a year removed from high school graduation (Cato 2018). Darius Bazley, a 5-star recruit currently projected as a top-10 pick in the 2019 NBA draft, became the first high school athlete to skip college for the G League since 2009, after he decommitted from Syracuse in March (Cato 2018).

Two new developmental football leagues have also been announced this year that are set to open in 2019 (Alliance of American Football League) and 2020 (XFL). Salary amounts for players have not been announced, but both leagues have branded themselves as developmental leagues designed to help players make it to the NFL. The new leagues could draw elite football players away from participating in college football. I believe that some top players will decide to compete in these leagues and earn a salary if they don't want to go to college, but the overall impact these leagues may have on the future of college athletics is difficult to assess. The NCAA will face increased competition for its student-athletes that may force it to make significant changes. Allowing student-athletes to accept endorsements in addition to their scholarships may be enough to ward off the competition for potential college stars.

XIX. Conclusion

NCAA revenues continue to skyrocket as television deals and apparel contracts flood into Division I colleges. The large disparity in profits produced by various conferences and sports outside of football and men's basketball make it very difficult to justify compensating *all* Division I student-athletes in excess of their scholarships. Regardless, the exploitation of elite student-athletes who receive far less in benefits than they bring in to colleges must come to an end. Instead of increasing student fees and university subsidies to raise money for student-athlete salaries, the NCAA should allow student-athletes to profit from their name, image and likeness through endorsements and other forms of compensation. This system would allow student-athletes to earn money while pursuing a degree and competing in the sport they love. There is no perfect solution to the issues within the NCAA, but allowing student-athletes to accept endorsements is a possible method that could help student-athletes earn a more fair wage.

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