



**College Athlete Compensation Solutions**  
NC Fair Treatment of College Athletes Commission Meeting  
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## Reasonable Compensation for North Carolina College Athletes

### Legislation

North Carolina should pass legislation prohibiting in-state and out-of-state entities and individuals from enacting threats, retaliation, or any other form of punishment against North Carolina colleges, universities, conferences, or college athletes for exercising college athlete compensation options.

### Justifications

The state of North Carolina provides tax exemptions and funding to colleges and universities; and has compelling state interests in allowing compensation for college athletes. The state and its colleges and universities have expertise in higher education and intercollegiate athletic policies, and must have the freedom to improve long-standing problems in college sports.

- **Public Health:** Current compensation limits deny college athletes financial freedoms afforded to other US citizens, which puts them at an elevated risk for poor public health outcomes. The United States Department of Health and Human Resource's Healthy People 2020 findings identifying the leading determinants of the health of populations and individuals include education, injury, the cost of medical expenses, and discrimination.
  - *Educational Attainment/Graduation Rates*  
Compensation limits prohibit colleges from using athletic revenue to incentivize degree completion amidst historically low graduation rates in sports such as football, basketball, and baseball. In addition, African American college athletes comprise a disproportionate percent of athletes in revenue-generating sports, but consistently have the lowest graduation rates. \*The NCAA holds it has no duty to ensure athletes a quality education and should not stand in the way of states and colleges that are responsible for this duty.
  - *Injury/Medical Expenses*  
Approximately 50% of college athletes endure chronic college sports injuries. Compensation limits make it more financially difficult to obtain medical treatment for such injuries.
  - *Equal Economic Freedom*  
Compensation limits deny college athletes economic freedoms afforded to other college students and US citizens and are counter our nations free market economic system. Current and former North Carolina college athletes have raised objections to such unequal treatment.
- **Antitrust Laws:** The US Congress has not given an antitrust exemption to the NCAA and therefore NCAA compensation limits imposed on North Carolina colleges are illegal. They violate American free market protections and principles. The NCAA's price-fixing scheme on player name, image and likeness was found to be in violation of US antitrust laws (*O'Bannon v. NCAA*).

### Compensation Proposal

#### Degree Completion Fund

Allow colleges to establish a degree completion fund to align some of their commercial revenue with their tax-exempt educational mission and address compelling state interests identified above:

- Grant colleges the freedom to earmark funds for athletes on one or more teams to be received after eligibility expires and upon graduation; or to complete their undergraduate degree and receive any remainder.
  - Colleges would choose whether or not to have a degree completion fund. Amounts may differ from team to team, but should be equal among college athletes on a specific team.

- An athlete whose name, image, and likeness is used individually to generate revenue should get a percentage of such revenue to be received upon the expiration of his or her eligibility.
- An institution of higher education that belongs to an athletic conference of up to 20 members may agree to apply a conference-established sport-specific maximum annual contribution per college athletes of an amount no less than the average in-state cost of postsecondary attendance for college athletes of the conference that receive a contribution. A conference should not collude, or otherwise enter into any agreement with another conference, multiconference association, athletic association, or institution of higher education outside of its athletic conference's or athletic association's membership to set maximum contribution limits. (This would help ensure that athletes' protections under antitrust law are respected).
- Dollar-for-dollar Title IX matching funds if Title IX compliance is not otherwise achieved.
- Annual financial workshop for athletes designated to receive an earmark that includes degree completion budgeting, tax liability, expenses related to long-term college sports injury, and financial investment.

## NCAA's Poor Excuses for Prohibiting College Athlete Degree Completion Fund

### **Compensation Limits Are Necessary to Preserve "Nonrevenue" sports – False**

- If this were true, the 735 athletic programs with 260,000 athletes that operate in NCAA Divisions II & III would not exist
  - These teams are all "nonrevenue"
  - Subsidies from high-revenue football and basketball teams aren't present or necessary
- Exploding revenue has had underwhelming impact on athlete participation in North Carolina
  - NC FBS college athletics revenue increased from \$92 million to \$358 million, but total athlete participation grew by only 9 athletes (2003-2016)
  - NC Division I FCS college revenue increased about 524% while participation only increased approximately 38% (2003-2016)

### **It Would Ruin Competitive Balance and Harm Smaller Colleges - False**

- The 9<sup>th</sup> Circuit upheld ruling (O'Bannon v NCAA) which recognized that the NCAA's limit on compensation does NOT create competitive balance and stated that virtually all economists agree
- Economic study (Andy Schwarz, OSKR):
  - 99.3% of top 100 football recruits between 2002-2011 chose teams in the power conferences
  - Historically, over 90% of football teams that finish in the top 25 rankings and over 90% of the basketball teams that make it to the Final Four are from the power conferences
- Big 12 Commissioner Bob Bowlsby: competitive equity is largely an "illusion"
- Coach salaries, recruiting budgets, & facilities determine success yet none of these are uniform in NCAA sports
- Even uniform player compensation does not currently exist:
  - Division I: Ivy League colleges provide \$0 in athletic scholarships while private colleges can offer 4 year scholarships valued at \$240k, some colleges provide thousands of dollars per year in stipends, summer school, and medical benefits while others do not, etc.

### **NCAA is Amateur Sports - False**

- 1995: After 36 years of serving as the NCAA's Executive Director, Walter Byers stated, "Collegiate amateurism is not a moral issue; it is an economic camouflage for monopoly practice."
- NCAA made \$1 billion this year on basketball post-season tournament alone
- UCLA struck \$280 million Under Armour deal that requires players to advertise logos on bodies & paid over \$12 million to buy out coach it fired for poor performance
- US Congressional Budget Office: 60-80% of Division IA athletic revenues come from commercial activities suggesting they may have crossed the line from educational to commercial (2009)

### **Changing Compensation Rules Would Violate Title IX - False**

- NCPA proposal would guarantee Title IX compliance via matching funds provisions