

NCAA settles lawsuit. Power conference athletic departments did this to themselves.

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FULL TEXT

The NCAA has agreed to settle the class-action lawsuit *House v. NCAA*, with nearly \$2.8 billion to be distributed to more than 14,000 athletes over 10 years. Moving forward, the settlement will also create a pathway for student-athletes to be paid for competing. The outcome of this deliberation was inevitable. Yet the power conference athletic departments did this to themselves.

Big-time university athletics, as found in the power conferences, is driven by money, particularly revenue-generating sports such as men's basketball and football. This is most obvious by the creation of super power conferences, with more teams grouped together to gain unprecedented financial leverage. The value of contracts with television networks has grown into the billions of dollars.

Over the past two decades, the need to attract high-profile and high-performing coaches has pushed most coach salaries in men's basketball and football power conferences into seven figures, with some even reaching eight figures. At state schools, these coaches are not only the highest paid employees, far outpacing the compensation for faculty members and senior administrators such as presidents and chancellor, but they also are the highest-paid employees in their states. Athletic directors are also now demanding seven-figure salaries. All this money must come from somewhere, and contracts with television networks provide a convenient pathway to support this phenomenon.

Yet university missions are education first, with athletics somewhere after that. Athletics certainly adds to the university experience for students, giving them a common activity around which to participate or rally around. Alumni also feel a sense of connection when their school succeeds on the playing field.

The current issue can be traced back to when athletics began to take up a disproportionate amount of attention on some campuses. Athletic departments are designed to be financially self-contained, requiring no university funds to sustain their mission and programs. So attracting prominent coaches demands big-time donors and big-time television contracts to sustain the ever-growing need for more and more money to remain competitive on the national scene.

Much like gambling addicts hoping for the next big win, athletic departments need more money to stay ahead of their peers. If a school opts to not participate in this financial contest, they are doomed to subpar performance on the playing field.

During this ever-escalating race to the top, student-athletes have been mostly left behind. They benefited from enhanced training facilities and, for revenue sports, gained national exposure when their team was showcased on national television. Yet direct compensation was not forthcoming, given the former NCAA ideal mandating amateur status.

NIL -- or name, images and likeness -- was a step to right this ship. Many student-athletes secured contracts that paid them directly, though the majority of student-athletes who gained the most from NIL were in higher revenue sports.

Given the proposed settlement, the entire college athletic landscape has been turned upside down. Schools will now pay student-athletes directly. Where such funds will come from remains uncertain. Non-power conference schools are also financially affected, even though they received limited prior benefits. It is also uncertain how different sports

will be treated. Should a cross-country runner be treated the same as a football wide receiver? How will Title IX play into the compensation calculus?

Though student-athlete compensation appears to be the solution to the financial inequities in power conference college athletics, it is only a Band-Aid for the larger issue of where athletics fits onto campuses.

Athletics are indeed important. They provide an avenue for talented students to participate and compete. Some of these athletes end up in the Olympics and playing professionally, bringing pride and recognition to their college campuses.

Yet given the new financial model reality, business as usual will be changing. This is why private equity is already eyeing the settlement as an opportunity to fund university athletic departments. Such entities would never make such investments without the hope of earning significant returns. Their money is not charitable donations, and their intentions are not altruistic. The effect of private equity on medical care should be sufficient warning to be wary of such partnerships.

What the settlement must do is begin the discussion of moving power conference revenue sports outside universities, operating as university-affiliated enterprises. Students who wish to participate could be treated as paid employees or, more likely, independent contractors to the enterprise. The requirement of being a student could be a condition of participation, or perhaps not. This is also open to discussion.

Given the financial inequity between revenue and nonrevenue sports, these affiliated enterprises would need to cover all sports to maintain their university ties.

What the proposed settlement has done is expose the dark belly of power conference athletics for revenue sports, the financial race that top teams have been engaged in, and how student-athletes have been the oil in this financial engine.

Does this mean that revenue sport coaches will see a precipitous drop in their salaries and compensation any time soon? Likely not. What it means is that power conference revenue sports need to be repositioned outside universities, operating with or (hopefully) without private equity, earning their affiliation by paying for the privilege. The settlement has created a crisis, and crises are opportunities to bring about positive change. Let's not squander this opportunity.

Students who participate in athletics will certainly be compensated. What will be lost however is the model for student-athletics, a price that may be far steeper than any television contract will ever be able to compensate for. Sheldon H. Jacobson, Ph.D., is a professor of computer science at the University of Illinois at Urbana-Champaign. A data scientist, he applies his expertise in data-driven, risk-based decision-making to evaluate and inform public policy.

CAPTION: Photo: Ohio State football players gather before the 2021 national championship game against Alabama in Miami Gardens, Florida. Wilfredo Lee/AP

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