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Think Twice before Supporting ...

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"We should pay NCAA college football and basketball players because it is totally unfair that their coaches get millions in compensation while athlete compensation is capped at the value of a full athletic scholarship!" This statement summarizes media and public sentiments currently in vogue. If Division I men's basketball and football programs move in that direction, they will also have to leave their "motherships" (their non-profit educational institutions) because they can't afford the Title IX obligation of having to equally compensate female athletes. Currently, only twenty institutions bring in more revenues than they spend. Before sport managers support any effort to professionalize college athletes by making them paid employees, they might want to consider what would happen if Division I college football and men's basketball created professional leagues.

1. Because the professional sport league would have to be constructed as a for-profit business operated outside the institution, the resources of the non-profit higher education institution legally could not be used to subsidize the for-profit business.
2. No longer under the not-for-profit umbrella of the educational institution, the new professional basketball and football programs would no longer benefit from tax preferences (i.e., the 80% tax

deductible donations driving season ticket and seating preference sales, use of tax-free bonds to construct athletic facilities, etc.). Thus, it is not clear whether the financial viability of a new league would be assured.

3. The new professional football and men's basketball team and league revenues would be fully taxable at the federal and state levels and in some cities, salaries and wages may be subject to employee payroll taxes, unlike the college programs.
4. Athlete employee salaries would be fully taxable at the federal and state level and athlete employees would have to pay unemployment taxes and social security. Rather than accepting less than their current non-taxed athletic scholarship compensation, players would form a players' association/union and demand \$100,000 annual minimum salaries – the equivalent of the non-taxable athletic scholarship they would be giving up. While these athletes would not have to attend classes in season, removing the current pressure and conflict with academic demands, athlete employees wishing to attend college in the off-season would have to pay for their own housing and food and the cost of tuition, required fees and books. Tuition and fees would not be tax deductible if the athlete earned more than \$80,000 per year.
5. Instead of carrying squads of 85 players, all receiving full scholarships, squad sizes would be close to NFL limits (53) and include a smaller, lower cost taxi squad. Fewer players would benefit as employees than being a student under the college scholarship system.
6. Gate receipt income and attendance would suffer a decline if watching paid professional players, a product of lesser quality than the NFL, is not as attractive a sport product to viewers as amateur students playing for their alma maters.
7. The institution would have to charge the new professional football and basketball teams fees to lease their stadia, weight rooms, locker rooms and meeting spaces and obtain the rights to use the institutions' names and marks. These fees would have to be substantial since the professional teams would be taking all earned revenues in those sports (gate receipts, media rights, advertising and sponsorship fees, concessions, parking, etc.) for their own support. The institution would need to set these fees at a substantial level to include paying off existing capital debt that would be retained and to offset the anticipated decline of donated funds to the institution's athletic program if the institution wants to continue supporting the retained non-revenue extracurricular athletic program. These substantial costs may reduce the attractiveness of the new professional college league to investors.
8. The new football and basketball professional sport businesses would have to incur the considerable costs of providing full athletic injury and disability benefits for all players, benefits institutions do not currently provide to college athletes.
9. Given the fact that only 50% of Division I FBS football and basketball programs pay for themselves with no institutional or student fee subsidies and the fact that this statistic does not include capital costs, it is doubtful that all 128 NCAA FBS members would risk operation of an independent professional football and basketball business on financial feasibility grounds. Depending on how many and the quality of the institutions willing to give up their extracurricular amateur teams, the programs that remain in the NCAA intercollegiate athletics system may represent competition with the new professional league.
10. Scholarships and operating budgets for Division I women's sports and other men's non-revenue sports remaining at institutions moving their football and basketball programs to the professional model, would need to be eliminated or substantially reduced to the extent that former football and basketball revenues would now flow to the new taxable professional leagues. These scholarships represent college degree opportunities. Moving these remaining intercollegiate programs to lower competitive divisions may have to be considered.

11. The college or university would have to pay off multimillion dollar collegiate long-term coaching agreements while the new professional league would have to negotiate new coaching agreements. The professional league coaching salaries would most likely be less lucrative once athlete labor and other costs mentioned above are factored into the financial equation.
12. The value of the NCAA's Final Four Division I basketball championship, which currently generates \$770 million that annually supports all 488,000 NCAA athletes in all three competitive divisions would most likely decline considerably, probably to the level of the NIT, if the great majority of top FBS basketball programs choose the professional model.
13. The \$440 million College Football Playoff, currently owned by the ten FBS conferences (with the top five conferences taking home 75% of revenues and the remaining 25% to the bottom five) would probably revert to the new professional league. Instead of these funds funding athletic programs serving athletes attending the 128 FBS schools, these revenues would most likely be diverted to providing salaries and benefits to the new league's professional athletes, further diminishing the resources currently available for the remaining intercollegiate sports.

In short, sports managers should think twice before succumbing to the prospect of athlete employees. These new professional basketball and football leagues would primarily benefit those basketball and football players going on to play in the NBA, NFL or international professional basketball and football leagues each year – an estimated 582 football and 471 basketball players each year (NCAA data based on the 2014 NBA and NFL drafts) while diminishing significant resources currently used to support college educations of the remaining 488,000 NCAA athletes. Is this a justifiable step for collegiate athletics?

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