

A FOUR-PART SERIES

### TRANSFORMING THE NCAA D-I MODEL

SESSION 2

A NEW ANALYSIS OF THE D-I REVENUE DISTRIBUTION FORMULA INEQUITIES

Session will begin shortly





### Arne Duncan

Knight Commission Co-Chair, Former U.S. Secretary of Education



### Len Elmore

Knight Commission Member, Former NBA and College Basketball Player



### Penny Kyle

Knight Commission Member, President Emeritus, Radford University

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### Welcome

Nate Wallace,
Director/Detroit
John S. and James L. Knight Foundation











### **Overview for Today's Session**

Arne Duncan
Co-Chair
Knight Commission on Intercollegiate Athletics







# D-I Revenue Distribution Formula Inequities Session Agenda

- The Principles and Incentives To Guide Revenue Distribution Moving Forward
- History of National Revenue Distribution
- How the Structure and Money Has Changed
- Impact of FBS Football on NCAA Revenue Distribution and Why It Matters







# **Knight Commission's Legacy of Success Advancing Realignment of Incentives with Educational Values**

Academic threshold for postseason eligibility.

In 2011, NCAA adopted a long-time Knight Commission recommendation that requires teams to be on track to graduate at least 50% of players to compete in postseason.

 Academic incentives embedded in the College Football Playoff and NCAA revenue distributions.







### **Principle to Guide Change**

The NCAA revenue distribution formula should count <u>ONLY sports</u> for which the NCAA operates a post-season championship and controls revenues associated with that championship consistent with its guidelines.

Result: The sport of FBS football would no longer receive its current exemption and count in the NCAA's revenue distribution plan.











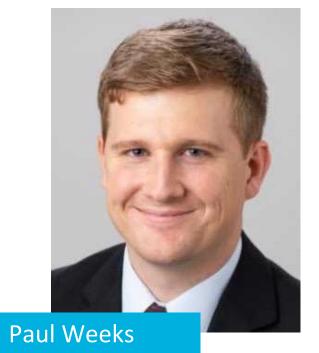
Chief Executive Officer, **Knight Commission on** Intercollegiate Athletics



Project Manager, College Athletics Financial Information (CAFI) Database



Principal, CliftonLarsonAllen (CLA)



Manager, CliftonLarsonAllen (CLA)

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### **Information for Public Attendees**

- All public attendees will be muted throughout the panel presentation.
- If you have a question, please click on the Q&A icon on your control panel. You can type a question at any time.
- We will answer questions at the conclusion of our presentation. Please identify your affiliation with your question.
- If we don't get to your question in this session, we will follow up after the webinar.
- Today's session is being recorded and will be available on the Knight Commission web site tomorrow.







### **Session 2 D-I Revenue Distribution Formula Inequities Key Issues**

### From a NATIONAL perspective

- Where the Money Comes From
- Where the Money Goes
- How Money Has Changed
- Where the Money Should Go







# A National Perspective Shared Annual Revenue Distribution







Managed independently by Football Bowl Subdivision (FBS) Conferences









### **Evolution of Big Money in College Sports**



1984 Supreme Court Decision – NCAA loses football TV rights 1989 NCAA's \$1 Billion contract for 1991-97 March Madness television rights 1991 NCAA current revenue distribution begins 1998 Bowl Championship Series (BCS) created 1999 NCAA's \$6 Billion contract for 2003-14 March Madness television rights 2007 Big Ten launches 1st Conference Network 2010 NCAA's \$10.8 Billion contract for 2010-2024 March Madness rights (extended in 2016) 2015 1st College Football Playoff: 12 years/\$7.3 Billion 2016 Revision to revenue distribution to phase in academic incentives

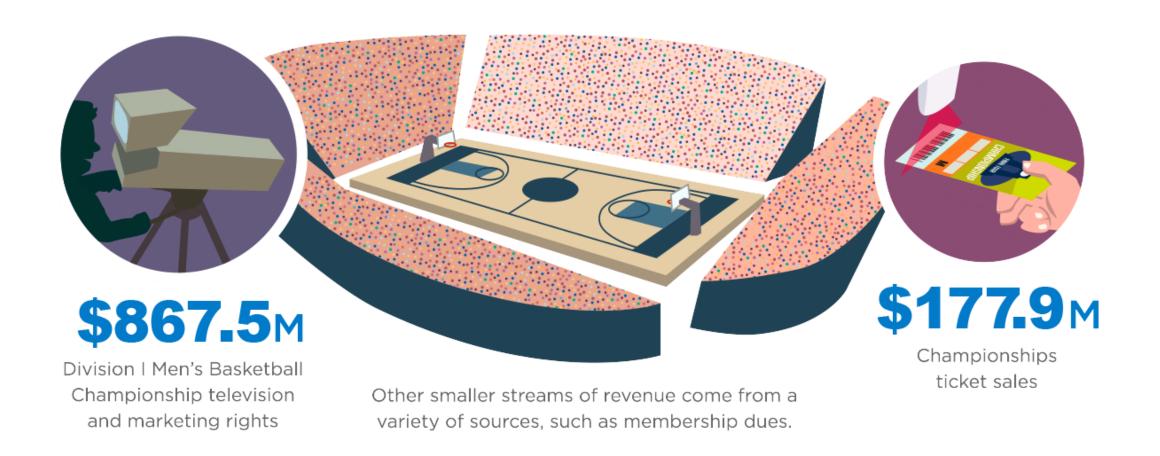
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# Where the NCAA Money Comes From (Graphic from NCAA.org)





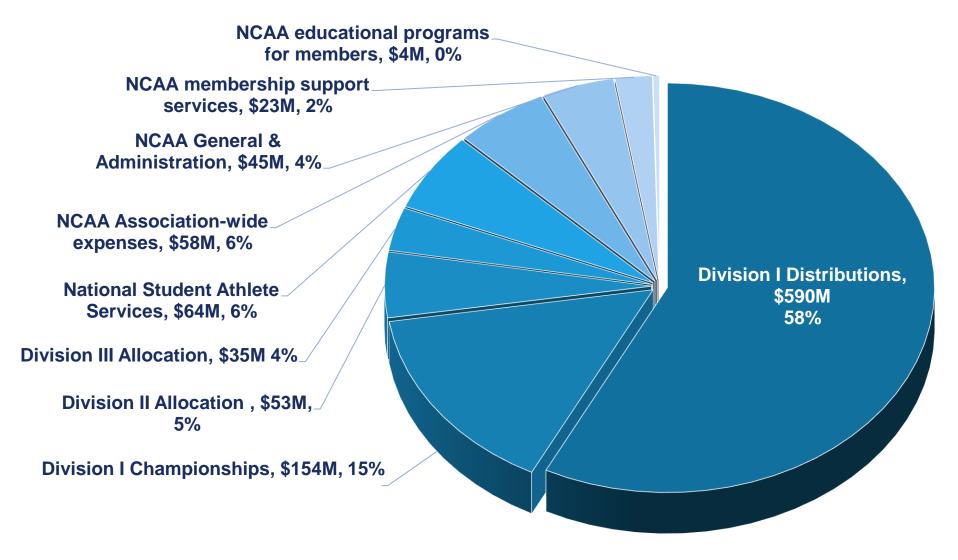






### 2018 NCAA Expenses and D-I **Distribution**

(millions)











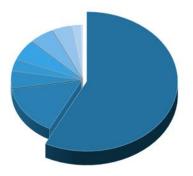
# How the Money is Distributed – Who Gets More and Why

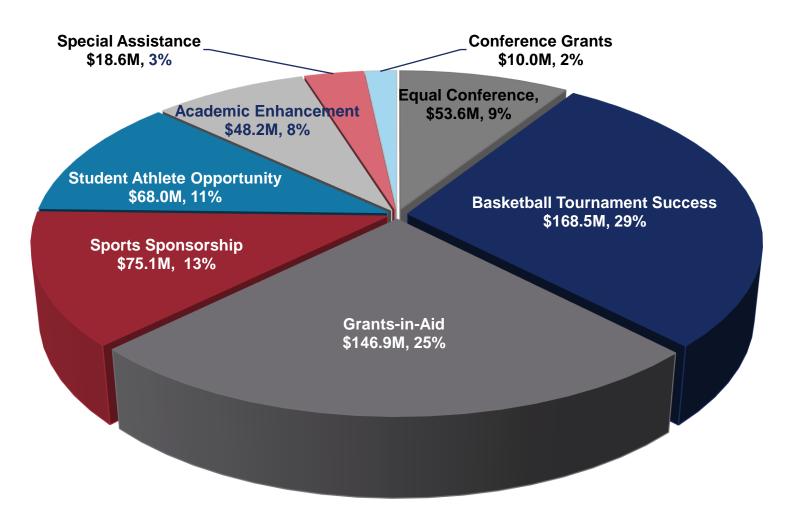






### NCAA Revenue Distribution Calculation (2019) How the \$590 million is calculated for 351 D-I schools





\*Breakdown does not include Academic Success which will be phased in starting in 2021











% of academic and graduation success fund

Most academic and success fund

Wo of basketball tournament success fund





By 2031 - 2032: Academic Success Fund (22%) will be nearly as much as Men's **Basketball Performance Fund (24%)** 

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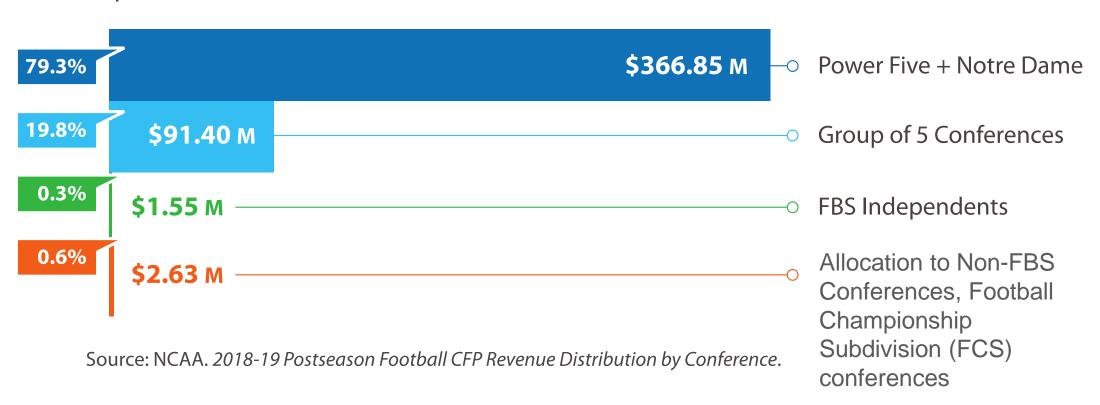






### **College Football Playoff (CFP) 2019 Distribution** Managed by FBS Conferences Independent of NCAA (130 FBS Institutions)

### \$462.43 M Total Estimated Distribution







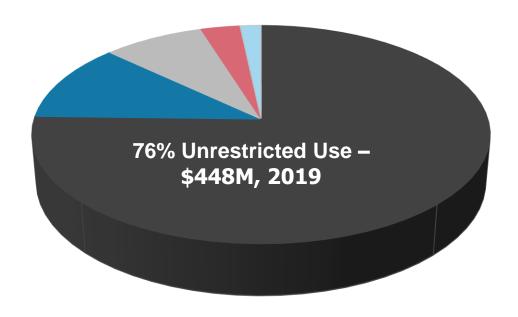




### **USE OF MONEY**









- 76% of funds used for any purpose
- 24% of funds are restricted for designated purposes

100% of funds used for any purpose







### **How the Money Has Changed**

### **Overview to Explain Impact of Media Revenue Growth**

**Revenues from only Two Major Sources for "Power 5" Conferences** (ACC, Big 10, Big 12, PAC-12, SEC)





**Conference-Generated Revenues** 

(Conference Media Contracts. Conference Network Revenues, College Football Playoff and Postseason Football, Conference Championships, Sponsorships, Royalties, other)



**NCAA** Revenue Distributions from Division I Men's Basketball **Tournament** 

2005 and 2015 Data Source: Conference 990 forms and NCAA Conference Revenue Distribution Reports

\*2020 Projections: Estimated NCAA distribution based on NCAA contract increases and assuming similar distribution levels; increases in conference media contracts based on new deals and contract escalations reported in media sources.

Presented to Knight Commission, May 2016









### **Case for Change**

- NCAA revenue distribution formula designed in a DIFFERENT ERA
- PRECEDED the creation of events that produced the College Football Playoff and its predecessor Bowl Championship Series.
- The NCAA revenue distribution NEVER EVOLVED as FBS football developed a distinct and lucrative postseason and revenue model separate from NCAA.
- NCAA and CFP revenue distributions should advance educational values.





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### **Premise for Changing the NCAA Formula**

- 1. The NCAA does not control FBS football's postseason championship, the College Football Playoff, and its lucrative revenues.
- 2. The NCAA receives \$0 in revenue from FBS football.
- 3. FBS football receives substantial financial and administrative support from the NCAA such as handling player eligibility, health and safety, insurance, litigation and legal settlements. NCAA absorbs all of these related costs.







### **Topline Findings of an Assessment Produced for the Knight Commission** By CliftonLarsonAllen (CLA)

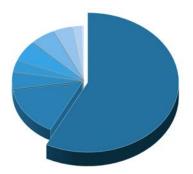
- Full report is available on knightcommission.org
- Assessment focused only on the Impact of FBS Football Factors in the **2018** distribution cycle

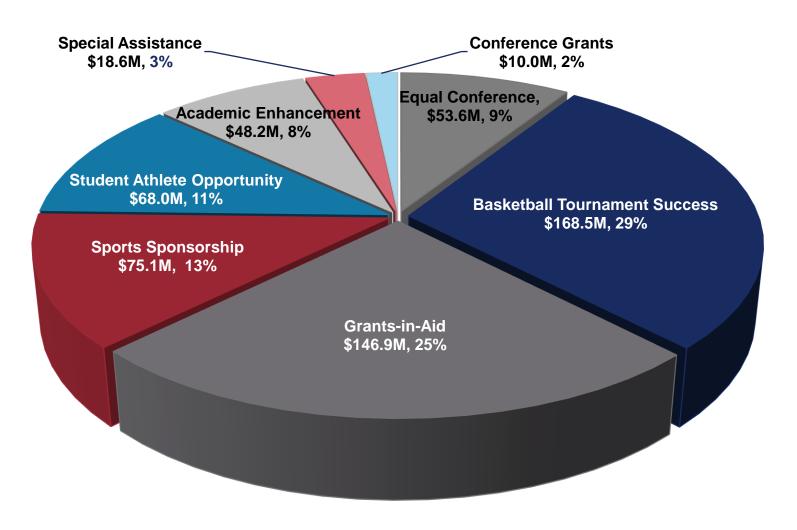






### NCAA Revenue Distribution Calculation (2019) How the \$590 million is allocated to 351 D-I schools





\*Breakdown does not include Academic Success which will be phased in starting in 2021







# Impact of FBS football scholarships and counting the sport itself in the NCAA formula in 2018 was between \$61 and \$66 million\*

\*Range includes estimates for private schools whose data were not available

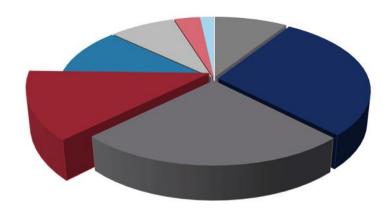






### "Sports Sponsorship" Component of NCAA Formula

**13% of Distribution** 



### "Sports Sponsorship"

- Rewards sponsoring more than the minimum 14 NCAA Division I sports\* (\*except for FBS football; must be a sport for which NCAA sponsors a championship)
- \$36,570 per sport beginning with the 14<sup>th</sup> sport

### **FBS IMPACT** = \$4.6 million

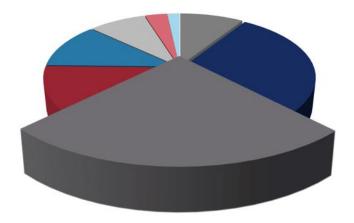






### **Grants-in-Aid Component of NCAA Formula**

25% of Distribution



### **Grants-In-Aid (GIA)**

- Rewards schools for providing athletics scholarships
- Escalating multiplier
- Result: For every scholarship over 150 total athletics scholarships = 20 X the distribution rate per scholarship.

### **FBS IMPACT** = \$56 - \$61 million\*







### **Principle to Guide Change**

The NCAA revenue distribution formula should count <u>ONLY sports</u> for which the NCAA operates a post-season championship and controls revenues associated with that championship consistent with its guidelines.

Result: The sport of FBS football would no longer receive its current exemption and count in the NCAA's revenue distribution plan.

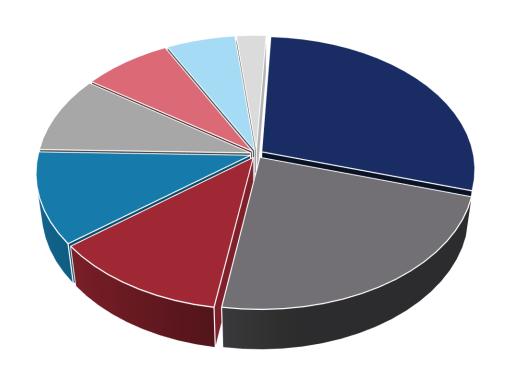
Where Could the \$61 Million Go as a Result of the Change?







### **Status Quo without FBS Football**



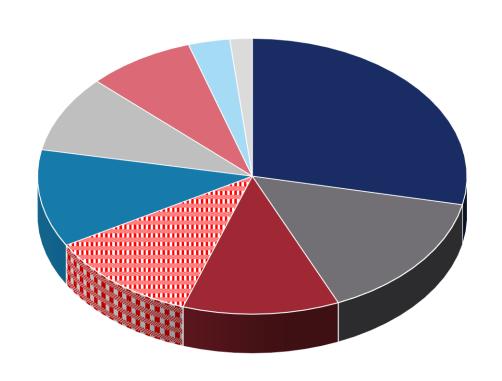
### **Keep NCAA** revenue distribution formula the same but remove FBS football factors.

- Result will provide more money to non-FBS schools for the NCAA sports they field and the scholarships provided.
- Under current conditions, most FBS schools would receive less money but a few FBS schools that offer more sports and athletics scholarships in sports other than football than their peers would receive more.





### **Values-based alternatives Create new slice to enhance diversity**



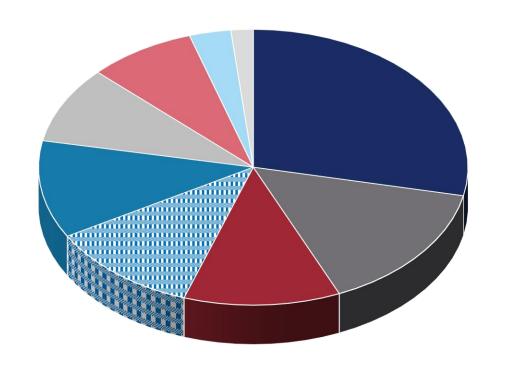
### **Add restricted-use fund for Diversity in Leadership Opportunities** in College Athletics

- Increase opportunities that are reflective of the DI college athlete population
- Distribute equally to all 351 Institutions for specific initiatives to improve diversity in athletics leadership.





# Values-based alternatives Create new slice to boost athlete opportunities



# Add new tier to NCAA "Sports Sponsorship" Formula (offering sports)

- Provide more money for schools with more than 17 sports (not including FBS football)
- Use a multiplier like the Grants-in-Aid calculation to provide more value for each sport over 17 as an example.







### Other Values-Based Recommendations To incentivize educational values through national college sports revenue distribution

## What would you do?

Send your thoughts to info@knightcommission.org

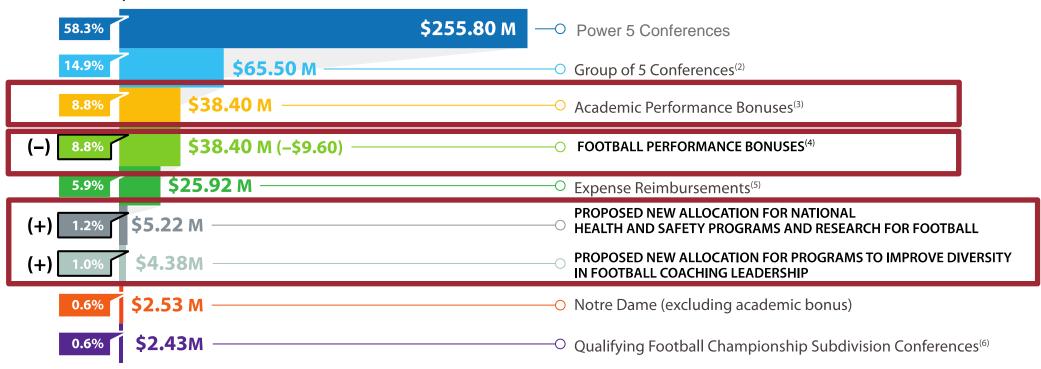






# **Knight Commission 2017 Proposed Changes**College Football Playoff Annual Distribution (Based on estimates of 2016-17 distribution)

#### \$438.58 M Total Estimated Distribution



### Knight Commission urges a reconsideration of this proposal.









### **TAKEAWAYS**

- Accountability
- Incentives should advance educational values.









### **INSTRUCTIONS FOR Q&A**

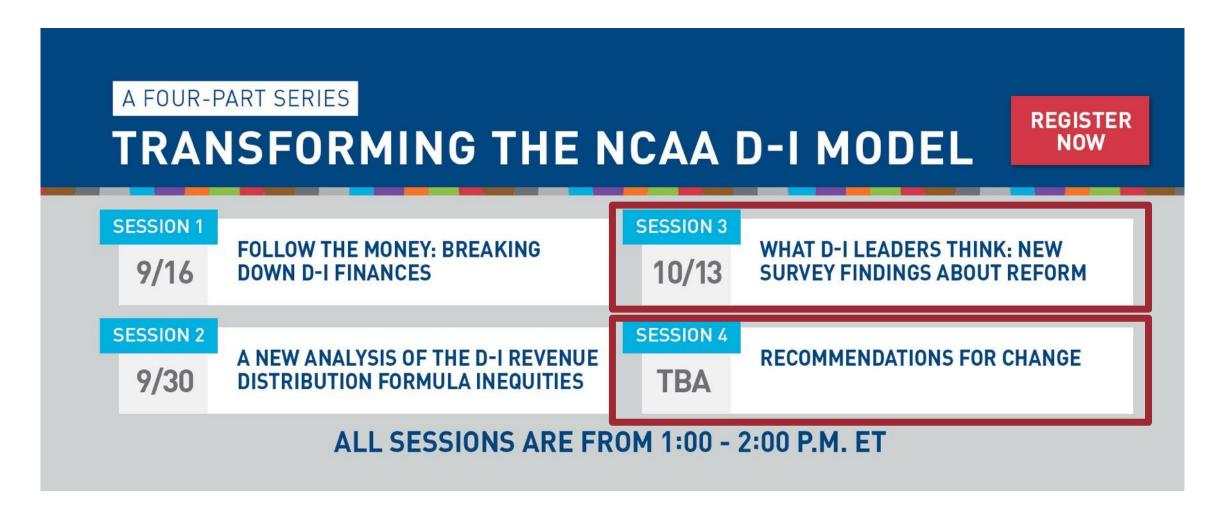
- Available for your questions: Arne Duncan, Commission member Penny Kyle, Len Elmore, Amy Perko and Scott Hirko
- Matt Anderson and Paul Weeks with CLA (report is accessible on <u>www.knightcommission.org</u>.)
- If you have a question, please click on the Q&A icon on your control panel.
- Please identify your affiliation and also identify the presenter to whom the question is directed.



















### Thank you for attending.

### For more information, visit us at www.knightcommission.org



