SESSION 2
A NEW ANALYSIS OF THE D-I REVENUE DISTRIBUTION FORMULA INEQUITIES

A FOUR-PART SERIES
TRANSFORMING THE NCAA D-I MODEL

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

Session will begin shortly
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
• **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 **ONLY sports** 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.
Amy Perko
Chief Executive Officer, Knight Commission on Intercollegiate Athletics

Scott Hirko
Project Manager, College Athletics Financial Information (CAFI) Database

Matt Anderson
Principal, CliftonLarsonAllen (CLA)

Paul Weeks
Manager, CliftonLarsonAllen (CLA)
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 website tomorrow.
Session 2
D-I Revenue Distribution Formula Inequities

Key Issues

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

From a NATIONAL perspective
A National Perspective
Shared Annual Revenue Distribution

Managed by NCAA

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)

$867.5M
Division I Men’s Basketball Championship television and marketing rights

$177.9M
Championships ticket sales

Other smaller streams of revenue come from a variety of sources, such as membership dues.
2018 NCAA Expenses and D-I Distribution
(millions)

- Division I Distributions, $590M, 58%
- Division I Championships, $154M, 15%
- Division II Allocation, $53M, 5%
- Division III Allocation, $35M, 4%
- National Student Athlete Services, $64M, 6%
- NCAA General & Administration, $45M, 4%
- NCAA Association-wide expenses, $58M, 6%
- NCAA membership support services, $23M, 2%
- NCAA educational programs for members, $4M, 0%
- NCAA membership support services, $23M, 2%

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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

- Special Assistance: $18.6M, 3%
- Academic Enhancement: $48.2M, 8%
- Student Athlete Opportunity: $68.0M, 11%
- Sports Sponsorship: $75.1M, 13%
- Basketball Tournament Success: $168.5M, 29%
- Grants-in-Aid: $146.9M, 25%

Conference Grants: $10.0M, 2%
Equal Conference: $53.6M, 9%

*Breakdown does not include Academic Success which will be phased in starting in 2021*
By 2031 - 2032: Academic Success Fund (22%) will be nearly as much as Men’s Basketball Performance Fund (24%).
College Football Playoff (CFP) 2019 Distribution
Managed by FBS Conferences Independent of NCAA
(130 FBS Institutions)

$462.43 M Total Estimated Distribution

- 79.3% ($366.85 M) Power Five + Notre Dame
- 19.8% ($91.40 M) Group of 5 Conferences
- 0.3% ($1.55 M) FBS Independents
- 0.6% ($2.63 M) Allocation to Non-FBS Conferences, Football Championship Subdivision (FCS) conferences

Source: NCAA. 2018-19 Postseason Football CFP Revenue Distribution by Conference.
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

76% Unrestricted Use – $448M, 2019

100% Unrestricted Use – $468M, 2019
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)

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.
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

- **Special Assistance**: $18.6M, 3%
- **Conference Grants**: $10.0M, 2%
- **Equal Conference, $53.6M, 9%**
- **Basketball Tournament Success**: $168.5M, 29%
- **Grants-in-Aid**: $146.9M, 25%
- **Sports Sponsorship**: $75.1M, 13%
- **Student Athlete Opportunity**: $68.0M, 11%
- **Academic Enhancement**: $48.2M, 8%

*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 14th sport

FBS IMPACT = $4.6 million

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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*
The NCAA revenue distribution formula should count **ONLY sports** 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power 5 Conferences</td>
<td>$255.80 M</td>
<td>58.3%</td>
</tr>
<tr>
<td>Group of 5 Conferences</td>
<td>$65.50 M</td>
<td>14.9%</td>
</tr>
<tr>
<td>Academic Performance Bonuses</td>
<td>$38.40 M</td>
<td>8.8%</td>
</tr>
<tr>
<td>Football Performance Bonuses</td>
<td>$38.40 M</td>
<td>8.8%</td>
</tr>
<tr>
<td>Expensive Reimbursements</td>
<td>$25.92 M</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

#### Additional Proposals

- **Proposed New Allocation for National Health and Safety Programs and Research for Football**
  - $5.22 M

- **Proposed New Allocation for Programs to Improve Diversity in Football Coaching Leadership**
  - $4.38 M

- **Notre Dame (excluding academic bonus)**
  - $2.53 M

- **Qualifying Football Championship Subdivision Conferences**
  - $2.43 M

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*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 www.knightcommission.org.)

• 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.
TRANSFORMING THE NCAA D-I MODEL

A FOUR-PART SERIES

SESSION 1
9/16
FOLLOW THE MONEY: BREAKING DOWN D-I FINANCES

SESSION 2
9/30
A NEW ANALYSIS OF THE D-I REVENUE DISTRIBUTION FORMULA INEQUITIES

SESSION 3
10/13
WHAT D-I LEADERS THINK: NEW SURVEY FINDINGS ABOUT REFORM

SESSION 4
TBA
RECOMMENDATIONS FOR CHANGE

ALL SESSIONS ARE FROM 1:00 - 2:00 P.M. ET

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Thank you for attending.

For more information, visit us at

www.knightcommission.org