

“Transforming the NCAA D-I Model” Summary of First Three Sessions

The Knight Commission on Intercollegiate Athletics held three public sessions of its four-part series, “Transforming the NCAA D-I Model,” in September and October 2020. The three previous webinars reviewed critical challenges to D-I college sports, including the state of athletics finances, an analysis of national revenue distributions from marquee championships, and the views of Division I leaders on problems and remedies for strengthening college athletics.

The complete set of research documents, slide presentations, and session videos can be found [here](#). In addition, the Knight Commission advanced [recommendations](#) in April 2020 to guide the emerging field of college athletes’ use of their name, image, and likeness, with the Commission recommending that athletes be allowed to earn compensation for their NIL rights from sources other than their institutions.

The fourth and culminating session of this [year-long study](#) will take place on December 3, 2020 at 1:00 p.m. ET, when the Knight Commission announces its recommendations for reshaping the governance of NCAA Division I sports.

Overview

The first three sessions of “Transforming the NCAA D-I Model” built upon the Knight Commission’s three decades of work in college sports, bolstered by four new research projects:

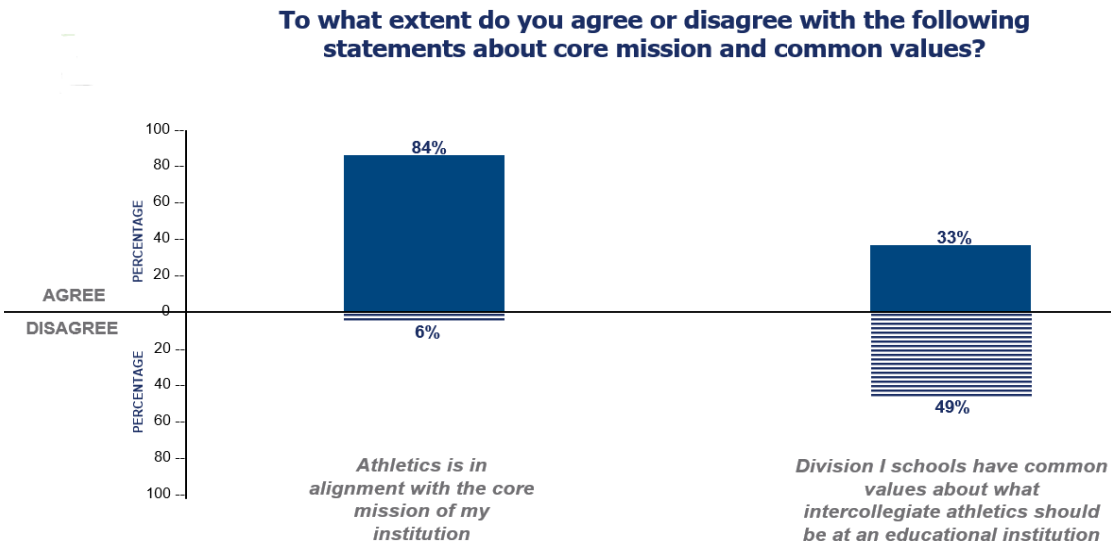
- A groundbreaking Knight Commission survey of D-I college athletics leaders (primarily presidents, directors of athletics, and conference commissioners) fielded between June 18 and July 14, 2020;
- A novel analysis of the NCAA’s revenue distribution plan by an independent national professional services firm, CliftonLarsonAllen (CLA);
- Updated institutional financial data on sports revenues and expenditures from the Commission’s College Athletics Financial Information (CAFI) database; and
- A scholarly review of academic and legal literature on D-I structural reform published over the past decade.

Key Takeaways from the First Three Sessions

Sweeping changes in spending and revenues in Division I, have transformed not only the finances but the visibility and influence of college sports, particularly in FBS football and men’s basketball. That transformation has created significant challenges, including: a) widespread disagreement on common values for athletic programs, b) a broken financial model, c) substantial inequities in national revenue distributions and expense allocations, and d) dissatisfaction with NCAA governance and limited consensus about how that governance should be changed.

Takeaway #1: Lack of common values across Division I

Respondents to the KCIA survey overwhelmingly believe *their* institutional mission and athletic program are in alignment. But only one-third believe *other* Division I schools share common values about what athletics should be at an educational institution. In a membership-governed association like the NCAA, the presence of common values is essential to effective governance.



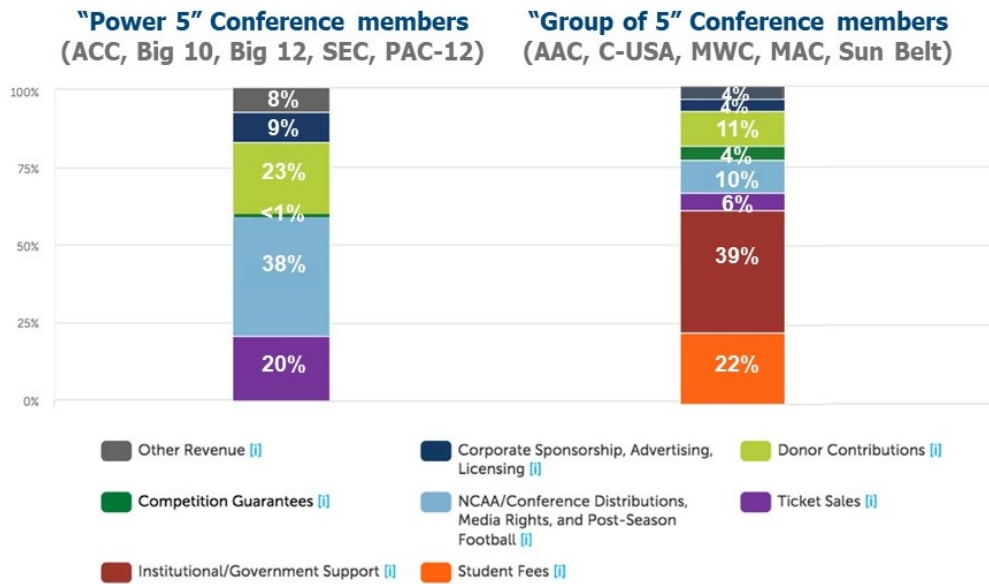
Takeaway #2: Broken Financial Model

Football Bowl Subdivision (FBS) football programs, a classification for 130 institutions competing in football at the highest level, have dramatically accelerated widening disparities in revenue and spending in Division I over the past decade. Revenue and spending disparities between the 65 teams in the FBS's Power 5 conferences and the rest of Division I are especially marked.

In 2018, athletics budgets for the 351 NCAA Division I schools ranged from \$4 million to more than \$200 million, with the smallest FBS athletics budgets starting at \$16 million. The majority of D-I institutions rely on student fees and institutional funding to support their athletics department budget.

This graphic below illustrates how FBS schools fund athletics. Power 5 schools generate nearly all of their athletics revenue from external sources. In contrast, the other half of the FBS institutions, the "Group of 5," face a different financial reality. Two funding sources under severe strain, particularly during the pandemic—student fees and institutional support—make up 56 percent of these programs' budgets.

**NCAA Division I-FBS ALL Public Institutions:
Percentage of Budget from Revenue Sources, 2018**



Amounts reflect current dollars.

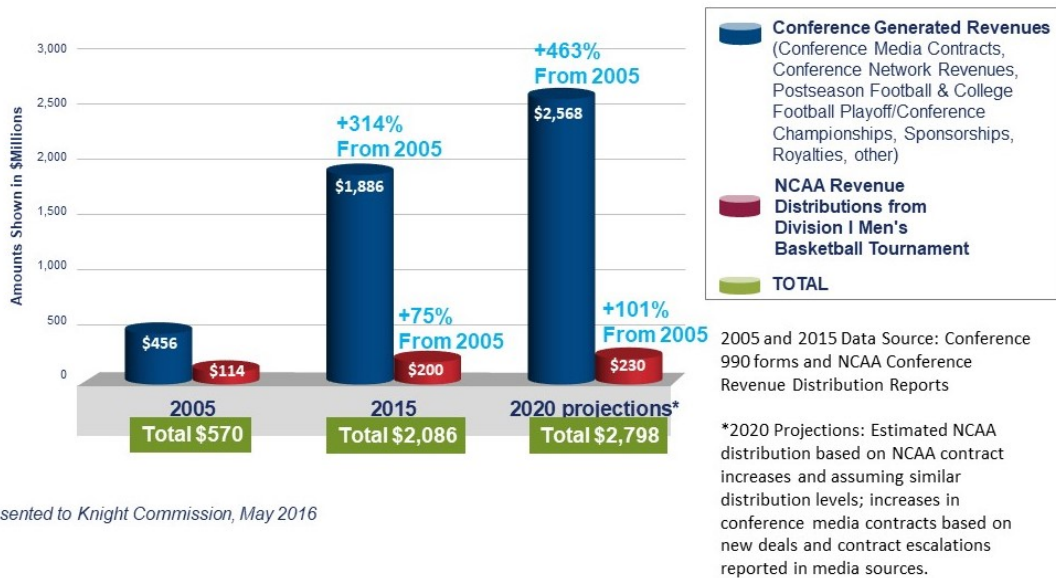
Source: CAFI Database

In the Knight Commission’s survey of Division I leaders, more than half of all respondents outside the Power 5 indicate their athletics program places too much reliance on student fees and institutional funds to support their athletics budget. Additionally, nearly 80 percent of respondents feel that there is too much of a difference in resources across Division I. These resource disparities contribute to overspending. Almost 60 percent of FBS survey respondents agree that they overspend in football to keep up with better-resourced teams and a similar percentage of *all* respondents indicate they spend too much to keep up with better-resourced competitors in men’s basketball.

Over the past 15 years, the financial underpinnings of D-I sports have most notably changed for schools in the Power 5. Put simply, revenues generated from conference media contracts and postseason football exploded.

The graph below demonstrates that over the past decade, athletics departments in the Power 5 conferences received more than \$2 billion in new revenues through conference-generated revenue sources: FBS football-driven conference media contracts, and shared revenues from postseason football, including the highly lucrative College Football Playoff (CFP). The CFP and its revenues are controlled by these conferences independent of the NCAA.

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)



Presented to Knight Commission, May 2016

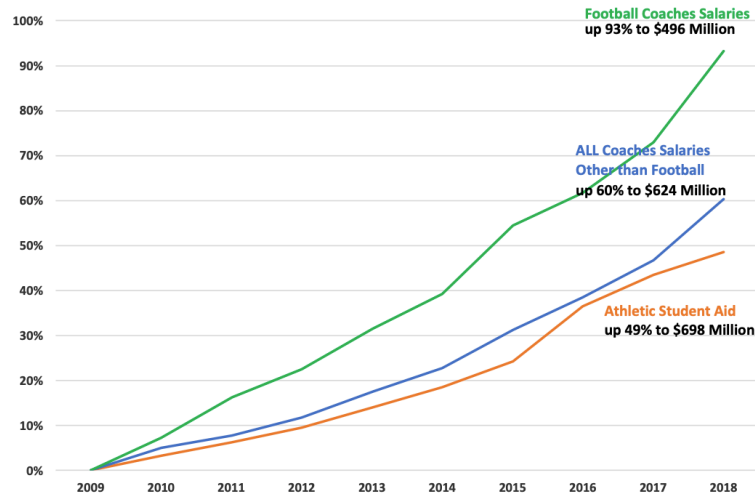
In 2005, revenue distributions received from the NCAA’s March Madness Men’s Basketball Tournament were one-quarter of conference-generated revenues. By 2015, NCAA distributions from the March Madness tournament were less than 10 percent of conference-generated revenues. The combined revenues generated by Power Five conference media contracts and the CFP exceeded more than \$2.5 billion in 2019 and were completely unrestricted--meaning that schools could spend these funds however they choose.

Expenses increased in lockstep with massive revenue growth. From 2009 through 2018, revenues grew 66 percent, from approximately \$4 billion to approximately \$6.5 billion annually and expenses grew at nearly the same rate (64 percent).

Data show these revenue increases have disproportionately fueled spending in three areas: **coaching salaries, non-coaching administrative positions and salaries, and athletics facilities expenditures.**

As seen in the figure below, the salary increases directed to Power 5 football coaches doubled from 2009-2018 to an average of nearly \$1 million for each of the team’s 10 permitted FBS coaches (one head coach and nine assistant coaches). By comparison, the financial value of the average grant-in-aid provided to each Power 5 athlete on scholarship was \$23,883.

**Change in Growth of Coaching Salaries and Student Aid
51 POWER 5 Public Institutions, 2009-2018
Adjusted for Inflation**



Sources: CAFI Database (2020), <http://cafidatabase.knightcommission.org/reports/0df843ba>
EADA Database, US Dept. of Education (2019)

Note: The Power 5 total differs slightly from the September 16, 2020 presentation due to a recalculation from data inconsistencies.

Revenue increases also fueled massive spending on capital projects and facility improvements. As of 2018, FBS public institutions had more than \$9.2 billion in athletics debt, with the vast majority of that debt (\$7.4 billion) shared among the 52 Power 5 institutions for whom data is publicly available. These 52 institutions alone pay a combined \$578 million in **annual** debt service on these long-term financial commitments.

Takeaway #3: Substantial Inequities in National Revenue Distributions

The Knight Commission identified inequitable revenue distribution in both the NCAA and the CFP.

- 1. NCAA distribution.** In 2019, the NCAA distributed more than \$590 million to its 350 Division I member schools. A complicated formula, summarized in a detailed [report](#) presented to the Knight Commission by independent accountants, explains the methodology that sends more money to FBS schools.

The sport of FBS football is heavily weighted in the NCAA’s annual revenue distribution formula calculation, even though the sport does not meet the NCAA’s qualifying criterion—namely, that the NCAA operate a sport’s postseason championship.

An [analysis](#) commissioned by the Knight Commission estimates that between **\$61 to \$66 million** in distributed funds could be reallocated each year if the NCAA stopped its practice of rewarding FBS football factors, such as football scholarships and the sport itself, in its distribution formula.

"A post-pandemic model for college sports should address excessive spending and promote fiscal sanity, while creating incentives and new governance structures that do more to prioritize college athletes' education, health, safety, and success."

Nancy Zimpher, Knight Commission member

- 2. CFP distribution.** The CFP, managed independently from the NCAA, distributes more than \$460 million annually to its 130 Division I schools, with nearly [80 percent distributed to the Power 5 institutions](#). None of the postseason football revenues support national initiatives to operate the sport. Instead, the NCAA, through its March Madness revenues, absorbs the expenses and risk related to FBS football, such as health and safety research, enforcement costs, and legal settlements.
- 3. D-I Leaders dissatisfied.** D-I survey respondents expressed overwhelming dissatisfaction with both the NCAA and CFP revenue distributions, except for the respondents from Power 5 institutions, which receive the most money from these plans.

Recommendations for Changes to Revenue Distribution

NCAA distribution. In October 2020, the Knight Commission [urged the NCAA](#) to eliminate the exemption allowing FBS football to count in the revenue distribution formula, because the sport does not meet the qualifying criterion—namely, that the NCAA operate a sport’s postseason championship. This change would remove FBS football from the formula used for calculating NCAA revenue distribution generated by March Madness. Even when eliminating the sport of FBS football from the formula, those schools would still receive significant distributions from the NCAA based on factors in the formula, like counting scholarships provided in sports other than FBS football, success in the men’s basketball tournament, and other factors.

CFP distribution. The Commission also reiterated its [2017 recommendation](#) to the CFP Board of Managers, that the CFP commit to investing just two percent of its more than \$460 million in annual revenues on national initiatives to support the health and safety of football players and boost diversity among college football coaches.

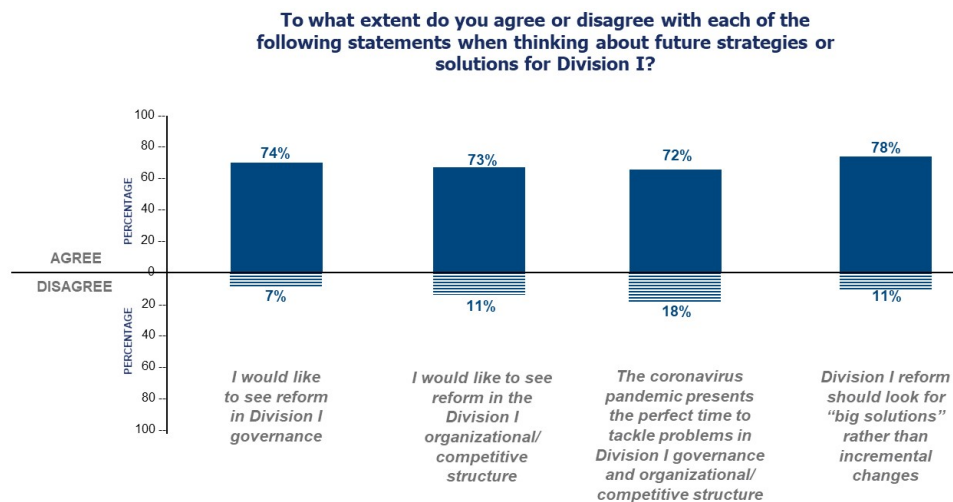
"The CFP does not direct a dime toward boosting racial diversity in football’s coaching ranks or national initiatives aimed at health and safety protections for football players. The CFP must be more accountable for addressing the challenges of college football.

Len Elmore, Knight Commission member

Takeaway #4: Dissatisfaction with Division I Governance and Structure

- 1. It is time for big changes**

Respondents to the Knight Commission’s 2020 survey overwhelmingly favor “big solutions” over incremental change in NCAA Division I governance and organizational/competitive structures. Moreover, nearly 75 percent of respondents believe the COVID pandemic presents the perfect time to address these issues.



*Percentages do not total 100% due to “neutral” and “do not know” responses not shown.

2. Satisfaction with NCAA governance is low

At the same time, just a third of all survey respondents indicated satisfaction with the governance of Division I college sports. Non-FBS Division I respondents strongly support governance reform, with more than 80 percent saying the current weighted voting arrangement given to FBS institutions in Division I is “inappropriate.”

3. Support for big solutions

The survey found surprisingly widespread support for sweeping actions to contain athletic spending, such as:

- An antitrust exemption to control athletics costs (67 percent favorable), supported by more than 80 percent of the Power 5 respondents;
- Conference-level agreements to cap sports’ operating budgets, including coaching salaries (62 percent); and
- Openness to major structural reorganization within Division I, but little consensus about what that reorganization should look like.

“It’s clear from our survey that college leaders acknowledge that the status quo is no longer acceptable.”

***Carol Cartwright
Knight Commission
Co-Chair***

The survey asked college athletics leaders to evaluate potential major Division I reorganizations:

- 1) creating a new entity, completely separate from the NCAA, to govern and manage the sport of FBS football;

- 2) creating a fourth NCAA division in all sports except men's and women's basketball for schools in the Power 5; and
- 3) allowing for new geographically based competitive affiliations by sport, instead of the current multisport conference structure.

The survey found openness to each of these alternative structures; however, support differs significantly by Division I subdivision classification.

One area of consensus or near-consensus: Three in four respondents, across all Division I subdivision classifications believe it is "essential" to keep all current Division I schools in the same men's basketball tournament.

"The Division I model has needed an overhaul for many years now, and our survey shows that most college sports leaders recognize the need for fundamental change in the structure and governance of college sports. The work ahead is much broader than adopting a few new policies."

Arne Duncan, Knight Commission Co-Chair

The Path to Reform

The Knight Commission on Intercollegiate Athletics has concluded that major changes are needed to NCAA Division I to address the many problems acknowledged by D-I leaders in our survey. These problems are intensified by the financial shortfalls created by the COVID-19 pandemic and create an even greater urgency for transformational change. The Commission will announce its recommendations in its capstone session of the series on Dec. 3, 2020.

See ["Transforming the NCAA D-I Model"](#) at knightcommission.org for the complete set of research documents, slide presentations and session videos.