Welcome to the
Knight Commission on Intercollegiate Athletics Forum:

Remaking the NCAA, Past Constitutional Reform

NCAA Convention Session
January 20, 2022

Indianapolis, Indiana
Purpose statement:

“The purpose of the Knight Commission on Intercollegiate Athletics is to develop, promote, and lead transformational change that prioritizes the education, health, safety and success of college athletes.”
2022 Knight Commission Members

Jonathan Alger
President
James Madison University

Eric Barron
President
Pennsylvania State University

Pam Bernard
VP and General Counsel
Duke University

Christine Copper
Faculty Athletics Representative and Professor
US Naval Academy

Arne Duncan
Former US Secretary of Education

Len Elmore
Attorney, TV Commentator,
Former NBA and College Basketball Player

Wayne Frederick
President
Howard University

Walt Harrison
President Emeritus
University of Hartford

Chris Howard
President
Robert Morris University

Alberto Ibargüen, Ex-officio
President and CEO
John S. and James L. Knight Foundation

Derek Kerr
Executive VP and CFO
American Airlines

Shanteona Keys
Former College Basketball Player
Georgia College

Penelope W. Kyle
President Emeritus
Radford University

Jonathan Mariner
Former Executive and CFO
Major League Baseball

Jacques McClendon
Director of Player Engagement
LA Rams

Jessica Mendoza
Television Commentator, ESPN,
Olympic medalist, Former College Softball Player

Gloria Nevarez
Commissioner
West Coast Conference

G.P. “Bud” Peterson
President Emeritus and Regents Professor
Georgia Institute of Technology

Jill Pilgrim
Principal Owner
Pilgrim & Associates Arbitration, Law & Mediation

Peter Roby
Interim Athletics Director
Dartmouth College

Kendall Spencer
Georgetown University Law Graduate,
Former NCAA DI Board Member

Nancy Zimpher
Chancellor Emeritus
State University of New York
Knight Commission’s Legacy of Impact

Independent voice and ideas informed by experts that impacted governance and prioritized education; Work widely recognized by practitioners and scholars alike for impact:

• Reforms prioritizing athletes as students first: degree completion priority and support; protections around athletics time demands, etc.

• Requiring 50 percent graduation benchmark for postseason eligibility

• Including academic incentives in the NCAA and CFP revenue distributions

• Embedding presidential leadership in college sports at all levels

• Adding independent directors to NCAA’s highest governing board
LITERATURE REVIEW OF DIVISION I ATHLETICS REFORM
Prepared for the Knight Commission on Intercollegiate Athletics by National Scholars
Oct. 2020

An Assessment of Football Bowl Subdivision Factors on NCAA Division I 2018 Revenue Distribution
Sept. 20, 2020

Independent Legal Assessments of our Proposed D-I Model in Dec. 2020 report
Antitrust analysis conducted by Winston Strawn
Title IX analysis conducted by Church Church Hittle + Antrim
May, 2021

All studies and independent assessments accessible on www.knightcommission.org
“Transforming the D-I Model” Series:

1. **NIL Principles** (April 2020)

2. **NCAA and College Football Playoff Revenue Distributions** (October 2020)

3. **Governance and Structure: Recommendations for Change** (Dec. 2020)

4. **Achieving Racial Equity in College Sports** (May 2021)

5. **Connecting College Athletics Revenue Distributions with the Educational Model of College Sports (C.A.R.E. Model)** (September 2021)
Knight Commission NIL Principles*

1. Fairness to Athletes as Students
2. Informing Athletes on NIL Rights
3. Oversight of NIL Rights
4. Guardrails for NIL Rights (e.g., prevent pay-for-play)
5. National Uniformity

Knight Commission 4-Minute Video*

“An Introduction to Name, Image and Likeness Rule for College Athletes”
Financial Structure

Commitment to change by NCAA, CFP and DI conferences is essential to rebuild trust and ultimately, secure a federal legislative solution.
A NEW REPORT IN THE SERIES: TRANSFORMING THE D-I MODEL

Connecting Athletics Revenues with the Educational Model of College Sports

C.A.R.E. Model of College Sports

Knight Commission On Intercollegiate Athletics

September 2021
DI Shared Revenue Distribution

More than $3.5 Billion Annually

- Distributes more than $600m to 351 DI schools;
- Distributes nearly $500m to 130 FBS schools
- Distributes more than $2.6B to 351 schools ($2B to the Power 5 schools)

32 DI Conferences
Networks, media contracts & championships
Reactions to C.A.R.E. Model

• 21 college coaches associations, representing 30 women’s and men’s college sports with more than 240,000 athletes, announced public support the C.A.R.E. Model.

• Leaders privately acknowledge that “something like this concept” is needed to address what has become an indefensible financial model for Power 5 - recent examples:
  
  o **8** Power 5 schools fired Football Head Coaches with $90 Million in buyouts.
  o **3** Power 5 schools recently escalated coaching salaries, paying their head football coaches roughly $95 million over 10 years/$9.5 million a year.
Principles to Impact Distribution Criteria and Spending

**Principles to modify existing system:**

1. Transparency
2. Independent Oversight
3. Gender Equity
4. Broad-based Sports Opportunities

*Existing system for NCAA and CFP includes academic incentives as previously recommended by Knight Commission*
Overarching Principles:

1. Transparency
   - Disclose both distributed revenue allocations and spending
   - Disclose gender and ethnicity demographics of college athletes and athletics staff

2. Independent Oversight
   - Approve Revenue Distribution Plans and compliance with principles
   - For national entities, oversight should be led by independent directors with at least 1/3 current or former college athletes
Evaluation of C.A.R.E. Model Gender Equity Principle in NCAA DI Revenue Distribution

**NCAA Men’s Basketball Performance Fund**
28% based on Men’s Basketball Tournament Success
0% based on success of any Women’s Team

- **Grants in Aid, $147.2M, 24%**
- **Men’s Basketball Performance, $168.6M, 28%**
- **Academic Performance, $21.2M, 3%**
- **Academic Enhancement, $49.3M, 8%**
- **Student-Athlete Opportunity, $68.8M, 11%**
- **Sports Sponsorship, $75.3M, 12%**
- **Equal Conference, $53.9M, 9%**
- **Special Assistance, $18.9M, 3%**
- **Conference Grants, $10.0M, 2%**

NCAA distributes $613 Million to 351 Division I schools from March Madness Revenues (2021 Data)
Basketball Performance Fund

- Units earned based only on men’s basketball Division I tournament wins
- Units apply over six-year rolling cycle

**ANNUAL IMPACT = $168 million (increases yearly)**

C.A.R.E Model Gender Equity Principle would require that any financial distributions based on athletics success provide equal rewards for performance of women’s and men’s teams.

The NCAA’s current distribution policy should change to address the current discrimination in its policy.
C.A.R.E Model: The benefits of college sports are universal, regardless of sport. Any incentive pool to reward team athletics performance should be altered to provide an equal incentive pool to reward schools for offering more teams than the minimum required for that classification.

- In 2021, the CFP distributed **$48 million** total in football performance bonuses.

- By applying the C.A.R.E. Model principle, the distribution must change so that $48 million could be rewarded to FBS football schools for investments in broad-based sports opportunities (e.g., incentives to FBS schools for each sport over the 16 sports required for FBS membership).
Principle #5: Financial Responsibility

- **Conference-based approach** to direct spending of shared revenues towards education-centric priorities
  - Similar characteristics of conferences schools enables achieving consensus
  - More likely to withstand antitrust scrutiny

- **Independent oversight** provides approval of compliance with principles and financial responsibility plans

- Requires meaningful **incentives, penalties** and **thresholds** encourages education-centric spending
Financial Responsibility Example #1

Benchmark is to spend at least 50% of Shared Athletics Revenue Distributions on Target Areas.
If Column B divided by Column A is less than 50% (Column C), spending would require change (Column D).

*Data are based on a three-year average using 2017-2019 fiscal years.

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Power 5 public institution that does not meet requirement (N=43)</td>
<td>$34,313,830</td>
<td>$11,547,975</td>
<td>33.7%</td>
<td>$5,608,940</td>
</tr>
<tr>
<td>Median Power 5 public institution that meets requirement* (N=9)</td>
<td>$30,944,486</td>
<td>$19,167,379</td>
<td>61.9%</td>
<td>$0</td>
</tr>
<tr>
<td>Median Group of 5 public institution* (N=55)</td>
<td>$4,816,875</td>
<td>$10,090,322</td>
<td>209.5%</td>
<td>$0</td>
</tr>
<tr>
<td>Median FCS public institution* (N=75)</td>
<td>$1,041,313</td>
<td>$5,096,490</td>
<td>489.4%</td>
<td>$0</td>
</tr>
<tr>
<td>Median DI-No Football (basketball-centric) public institution* (N=46)</td>
<td>$575,138</td>
<td>$2,952,767</td>
<td>514.6%</td>
<td>$0</td>
</tr>
</tbody>
</table>

*All public institutions in these classifications meet the requirement using these data.

N = the number of public institutions in each specific category.

Data source: Knight Commission’s College Athletics Financial Information (CAFI) database, using data reported by institutions on NCAA Financial Reports. [cafidata.knightcommission.org]
Financial Responsibility Example #2

Limits on “regulated” operating expenses

- Create limits or spending targets where spending rates have soared, such as sum of coaching salaries and benefits or recruiting expenses
- Limits reflect competitive division/affiliation
- Competitive and/or financial penalties for exceeding, or incentives for staying within, limits
Financial Responsibility Example #3

Addressing excessive coaching salaries through a “luxury tax” system.

• Assess financial penalties for total coaching salaries that exceed a certain limit
• Index coaching salaries to instructional salaries that triggers penalty
Financial Responsibility: Congress Can Consider

Example 4: Change application of not-for-profit taxation rules to address excessive compensation for college athletics staff.

- Define reasonable college athletics staff compensation as a function/multiple of faculty compensation or athletics spending on college athletes
- Excessive spending becomes non-deductible and subject to federal income tax
- Congressional precedence focused on non-profit executive salaries

Example 5: Any of the Examples 1 – 3 could be required by Congress for all DI conferences