Knight Commission On Intercollegiate Athletics
A PROJECT OF THE JOHN S. AND JAMES L. KNIGHT FOUNDATION

NCAA Convention Presentation
The Multi-Billion Dollar Question:
How Should New CFP and DI Revenues Be Used?
January 12, 2023; 8:30 am CT

Henry B. Gonzalez Convention Center
San Antonio, Texas

SPEAKERS (in order of appearance)
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CLUBB: Good morning everyone. Welcome to the Knight Commission on Intercollegiate Athletics' presentation: *The Multi-Billion Dollar Question: How Should New CFP and Division I Revenues Be Used?*

I am Sandy Hatfield Clubb and I've had the pleasure of serving on the Knight Commission consulting team and today I am going to serve as our moderator today.

We have a great deal of information to share with you and it's important that we leave time for questions and discussion. In the interest of time, I will briefly introduce our first speaker and other introductions will occur along the way.

If you are participating virtually and would like ask questions during the discussion at the end of the presentation, you're welcome to submit questions by using the Q&A function.

I will now turn it over to the Chief Executive Officer of the Knight Commission Amy Perko to kick us off.

PERKO: Thanks Sandy and thanks again for being here with us this morning. From its inception, the Knight Commission's work has been driven by values. Our purpose is to lead transformational change that prioritizes the education, health, safety, and success of college athletes.

As an independent organization, we conduct research and engage experts to inform our diverse membership of thought leaders and you can see our membership on this slide.

We don't pretend to have all the answers or the perfect solutions but our legacy has been to provide research and careful thought to concepts, principles, and ideas that can lead to effective policies.

Our presentation will address the Multi-Billion Dollar question – How should new College Football Playoff and Division I revenues be used?

We are in one of the most pivotal periods in college sports history. Today, we will present a strong case as to why now is a critical time to act

And to put the conversation into context, we will review the current Division I financial landscape and what the future has in store if there is no major policy change and spending patterns continue with more than a billion in new revenue.

We will conclude with solutions to the Billion Dollar question.

Major changes have occurred over the last two years and there are significant changes on the horizon that will mark this era as a pivotal period in college sports.

The first 3 items on this slide identify significant changes that I'm sure that all of you are familiar with that occurred in 2021 and 2022:

First and just real briefly with each of these, in June of 2021, the Supreme Court unanimously ruled against the NCAA in the *NCAA vs Alston* case – a ruling that prohibits the NCAA from creating any national rule to limit educational benefits schools can provide.

The second major change occurred when NCAA rules granted college athletes access to earn money from third parties for the use of their name, image and likeness.

The third major area of transformation comes from the explosion of conference media rights, which are due in large part to FBS football. These media rights have influenced recent conference realignments. The CFP expansion will result in a postseason football playoff that dwarfs NCAA March Madness revenues. We will talk more about the projected impact of the influx of billions in new revenues through the CFP expansion and the Power 5 conference media deals.

The final two items noted on this slide are the Transformation Committee recommendations and the possibility through judicial and/or administrative rulings that college athletes will be considered employees. In addition to this potential major change, there continues to be looming litigation that could have significant financial consequences.

To highlight why now is the time to act, I will turn it over to Eric Barron, a Knight Commission member and President Emeritus of Penn State.

BARRON: Well we all know from our institutions that reallocating resources is challenging. But, when any organization receives an influx of resources, especially when it's a very large sum of money, it's the ideal time to pause on the allocation trends that we have been following in the past and use it as an opportunity to make strategic decisions about how to use that funding.

The CFP expansion will result in more than a billion dollars in new revenues.

It reminds me of a moment in the Big Ten when we received one of our new media agreements leading to a big increase in revenue for each one of the institutions. A number of presidents were concerned that the rapid growth in sports revenue combined with flat or declining resources for academic pursuits, presented a significant issue, not to mention what was going on with widespread discussion on the growth in coaches' salaries and facilities and the legal landscape that college athletics was facing. We decided to use it as an opportunity – an opportunity to fund areas that are difficult to fund from tuition dollars – think libraries, think supporting student mental health, think supporting an art museum. Each us decided we would earmark $4 million dollars of the funds from the media contract and focus those $4 million dollars per year on academic needs within our instituions, while also gaining more dollars for athletics. There is something very appealing about the fact that you are using athletics to support the academy in new and innovative ways.

There is another recent example of new money leading to big change.

In 2015, the NCAA began to prepare for new March Madness revenues, which were increasing because of the result of its media contract extension. The NCAA membership enacted the Values-Based Revenue Distribution Working Group's recommendation to change Division I revenue distribution to add an academic performance unit. The new academic performance incentive went into effect when the new revenues came into the system – again using it as an opportunity – using new revenues to align incentives with values.

With the coming new revenues from CFP expansion, now is the time for Presidents to provide leadership. It is the key time. The key opportunity before any of those dollars are budgeted.

The Transformation Committee's work is focused on new financial commitments for the entire Division I membership but it is vitally important for the presidents managing the College Football Playoff to recognize the role this marquee event plays on the entire landscape.

I served on the Management Committee for the CFP as the Big Ten representative and understand the drive for resources outside of the NCAA system, while the NCAA still covers the national costs of FBS football and is responsible for the overall governance of the sport. I have to say it is probably a basic principle in management that you don't divorce the revenues from the management of an operation.

It is the Knight Commission's position that the CFP revenues should be coupled with the national expenses to govern and operate FBS football. Now is the time, the key time, to correct that misalignment. Now is also the ideal time when significant new resources are available – to do more to prioritize the student athlete.

The issue was not addressed by the Transformation Committee and presidents on the Governing Boards of the NCAA and CFP must address the important financial issue before the very first game of expanded playoffs are played and before schools begin to budget any new distributions from the expanded playoffs. This is the key opportunity.

Now I will turn it back over to Sandy Hatfield Clubb to discuss the current financial landscape.

CLUBB: Thank you, President Barron.

The next series of slides will examine the current and future projections of the Division I financial landscape.

It's important to know there is a lot of detail on these slides and we are going to move through them very quickly. This slide and the entire deck will be available on our web site after this presentation. This slide underscores the dramatic financial changes among the Power 5 schools from 2005 to 2020 from only two revenue sources: conference media contracts and CFP revenues, shown in blue, and NCAA distributions, shown in red. The key point here is that revenue represented in blue exploded - with nearly 500% growth over a 15 year period - and this is largely due to the media contracts associated with Power 5 football and the launch and growth of the CFP. And as we will demonstrate with future projections, the growth continues.

To provide perspective on how the exponential growth in revenues among Power 5 schools has widened the financial gap with the rest of Division I, this slide represents the 2020 median total revenues for the DI sub-divisions. You can see the median for the non-football playing schools on the far right at $16 million – and up to more than $125 million for the median Power 5 school as seen on the left.

The next several slides draw data from the Knight-Newhouse College Athletics Database, which organizes the data reported by Division I institutions on their NCAA Financial Reports.

This slide shows sources of revenue as a percentage of overall revenues at the median in each DI subdivision – again from left to right you can see DI FBS Power 5 schools; FBS Group of 5 schools; FCS schools and schools with no football.

The burgundy color represents institutional and government support and the orange represents student fees. The most important point here is that the schools outside of the Power 5 rely heavily on these two sources of revenue – from more than half of their revenue up to more than two-thirds of their athletics revenue are from institutional and government support and student fees.

The Power 5 FBS schools have a very different revenue profile, with less than 3% of their revenue from these sources. As shown on the bar graph, their major revenue sources are from Conference distributions through media rights deals and post-season football; donor contributions and ticket sales.

The key point here is that the revenue sources for Power 5 schools are significantly different than the rest of Division I – for the nonpower 5 schools, this raises questions about what new revenue will support the new spending mandates.

This slide shows the major expenses organized in the same way as the previous slide – by DI subdivisions from left to right – again, Power 5, Group of 5, FCS and DI schools with no football and with major expenses noted in different colors.

We don't want to spend time examining all the expense categories, you can note that as a percentage of expenses across the different classification levels, the spending proportions are similar, except for in the area in dark blue, which is student aid or benefits.

A key point here is that the Group of 5, FCS and no football schools spend a higher percentage of their budgets on athletics aid and benefits.

This slide drills down to demonstrate the median dollars spent on student aid and benefits in each DI subdivision. Power 5 schools spend significantly more dollars in this area, a median of $13.3 million dollars even though this spending is a far less percentage of their overall expenditures.

One of the goals moving forward is to direct more money toward athlete education, health and safety benefits.

Over the past decade, the emphasis on competitive advantage has driven a disproportionate increase in 3 areas: coaching salaries, severance pay and coaching buyouts, and facilities.

You will see on the following slide that athletic student aid has grown much more slowly than these three areas.

One of the major financial concerns has been disproportionate growth in coaching salaries, particularly football coaching. This slide shows that from 2011 to 2020 – in the Power 5 programs – football head and assistant salaries grew by 81% as represented in top line in green – this growth has been more than twice as fast as the growth in athletic aid to college athletes, which is represented in the bottom blue line. It's notable that during this period, athletes began receiving the new cost of attendance stipends.

We want to note here that we are not trying to pick on the Power 5 by only showing their trends but the revenue and spending by these programs are at the core of the external pressures to change college sports and it is important to understand the trends of the past in this pivotal period of change. For those who have an interest, anyone can use our database to explore the trends for other DI subdivisions, conferences, and public schools.

Over a similar 10-year financial cycle, severance pay for FBS football head and assistant coaches ballooned totaling more than half a billion dollars. This slide shows that the coaching buyouts reached new, extremely high levels when FBS schools (not just the Power 5) began receiving new revenues through the launch and growth of the College Football Playoff. Once the more recent cycles are factored in, the data will show that since the CFP began, football coaching severance has tripled.

When starting this series of slides, I noted that the areas that experienced disproportionate growth when revenues increased were-- coaching compensation, coaching buyouts and facilities. This slide shows the impact of facility investments.

Among the 112 public FBS programs for which this data was drawn, these institutions pay a combined $708 million in annual debt service payments.

The next series of slides shifts our views to the future on how revenues are projected to change and how expenses may look if current trends prevail.

The Knight Commission engaged Clifton Larson Allen, or CLA, a national financial services firm to conduct an analysis and provide projections on a few key financial areas if past trends continue. These projections consider the $500 million to $1 Billion in new revenues that FBS schools will receive through the expanded CFP and new conference media contract revenues that the Big Ten and SEC members as well as the normal annual growth rate.

This slide is focused on spending and projections for 52 Power 5 programs at public institutions in the three expense categories that were displayed in an earlier slide: football coaching salaries, coaching salaries with all sports other than football and student aid. The football coaching salaries are in green; non-football Coaching Salaries in red and the student aid line is in blue.

The CLA projections assume that the coaching limitations currently in place will persist. The 2030 projections for the “countable” head and assistant football coaches show an increase of 353% since 2011 - up to $1.5 billion annually for about 575 coaches at just 52 public schools.

On the other hand, the athletic student aid line on the bottom in blue is projected again to show a slower growth rate with an increase to $1.2 billion annually in 2030 for more than 30,000 athletes – up 102% since 2011.

The Knight Commission strongly believes the explosive growth rates for coaching salaries at this level must be moderated.

Another area of explosive growth since the College Football Playoff revenues came into the system is FBS football coaching severance pay.

This slide shows the historical trend data for FBS head and assistant football coach severance that you saw earlier. We asked CLA to use the data to project what these buyouts might total in 2030 under the existing trends and considering new revenues. The most conservative projection is that football Coaches Severance will be a combined $155M among FBS schools in 2030.

To take another view using a common methodology of applying the growth rate from 2015 to 2019, the projection is actually $350 million in 2030 for FBS schools.

As President Barron shared, the time to change course is now.

What is needed to change the course and direct more of the increasing revenues to college athlete education, health and safety?

The NCAA Transformation Committee is proposing several changes to achieve this outcome.

Those changes would include new Division I membership requirements that require greater investments in athlete support, like financial assistance through degree completion and other increased support particularly in health and safety.

The Knight Commission believes that this approach is a good start and the new commitments are consistent with the priorities we've championed. However, there is a large influx of money coming for a sub-group of DI schools and the changes must go farther in the areas of governance, finance, and equity.

I would like to introduce Knight Commission member and Director of Football Affairs with the Los Angeles Rams Jacques McClendon to share where these changes are needed to proactively address the multi-billion dollar question: How should new CFP and DI revenues be used?

MCCLENDON: Thank you, Sandy. The Knight Commission believes that changes are needed in three key areas to proactively address the multi-billion dollar question and that these changes are possible – and necessary – now.

The first of these key areas is governance. The primacy of education must be at the center of the structure and governance of college sports and be clearly prioritized through financial incentives and allocations. While Division I sports is big business, it is an educational enterprise and must be governed within the context of higher education.

The Knight Commission has long championed the importance of adding independent directors to the Governing Boards of Divisions 1, 2 and 3, and the College Football Playoff

Management Board. In order to combat the self-interest that dominates the competitive nature of college sports in governance decisions, it is critical to provide objective oversight. We further believe that these governing boards should include medical experts, current and former athletes with a legitimate voice in the governance process.

Our final key point where change is needed in goverance was mentioned earlier by President Barron and that is the importance of aligning FBS governance and national costs with CFP revenues.

In the critical area of finances, college sports must initiate a plan to address current runaway spending before the exponential financial growth of more than a billion dollars in FBS football takes place over the next 3 to 5 years. That plan should include accountability measures to ensure that finances focus on the education, health, safety, and well being of college athletes.

In 2021, the Knight Commission proposed a set of 5 principles that can help college sports create such a plan, and in a few minutes, Amy will review those principles in our C.A.R.E. Model.

We are pleased to see that the Transformation Committee's proposal includes some components of our plan, particularly requiring more revenues to be devoted to athlete education, health and safety, consistent with our principles.

The third area where change is needed is equity. There must be accountability that requires equity in how shared revenues are awarded and used.

College sports can do more to close racial equity gaps and create equitable pathways for black college athletes during and after college.

As an example, in 2022 we commissioned independent research to examine if institutions are qualifying for financial awards through the NCAA's new academic incentive program with large racial graduation gaps in GSR scores. The review showed that there are DI schools that have more than a 25 percentage point gap between the graduation success rates of their white and black athletes, and yet still receive financial incentives from the NCAA for academic success. As a result, last May, the Knight Commission proposed a Racial Equity Standard to be used as a filter before schools can receive the DI academic success incentives.

Another equity issue that requires attention is gender equity. The Knight Commission proposed changes to the NCAA's revenue distribution to address the current inequity that exists with regard to the hundreds of millions in financial incentives that are currently awarded for athletics performance only in men's basketball. The Kaplan Hecker report recommended actions to address these same gender inequities in the distribution more than 500 days ago. While we are pleased the Transformation Committee acknowledged the need for a change to the athletics performance incentives in the NCAA distribution, we continue to be disappointed in the presidential inaction at the board level on this. The issue requires entirely more urgent leadership.

Now I will turn it back over to Amy Perko.

PERKO: Thanks, Jacques. Again, we know we are presenting a lot of information and if you have questions about some of these recommendations, there is a lot of information on our web site and we will be available to talk afterwards. I do want to note that Jacques was co-vice chair of our racial equity task force that Len Elmore and Shanteona Keys also provided leadership for. They worked really hard (to develop the) racial equity standard for the academic incentives and presented to the NCAA Committee on Academics.

So moving forward with this presentation, I have a handful of slides to summarize our solutions specifically and then I will provide some key takeaways. And then we will open it up for questions.

The Knight Commission has conducted independent research and sought out key expert insight, including from anti-trust attorneys, to create a number of financial solutions that can be implemented today. And again we don't need an act of Congress to implement any of the solutions you are going to see.

The first set of Knight Commission solutions are focused on Aligning CFP revenues with governance and national expenses for the sport of FBS football. As this audience understands, the NCAA receives $0 in revenue from the CFP and does not operate that championship. This basic fact is frankly widely misunderstood by the public at large and particularly lawmakers who are designing their own solutions for college sports. If CFP revenues funded the national expenses to operate the sport of football - including the costs for enforcement, insurance, and litigation - tens of millions in NCAA funding would free up to allocate to priority areas and it would benefit not only Division I but II and III and it would help all Division I schools fund the new health and safety mandates. In their own study of these issuses, LEAD1 estimated these FBS football national costs currently covered by the NCAA to total more than $60 million dollars.

A related solution is to change the NCAA revenue distribution formula so that only NCAA championship sports are counted in the distribution. This change would exclude the sport of FBS football from counting in calculations like the number of scholarship athletes and the number of sports. This exclusion would occur since the CFP, not the NCAA, operates the national championship event for that sport and makes decisions on all shared revenue distribution for the sport of FBS football. Put simply, the CFP is the revenue distribution that gives schools credit for the sport of FBS football.

In 2020, we engaged CLA to model this change. The modeling showed that this one change would result in another $61 to $66 million dollars becoming available for redistribution annually to Division I members. If the NCAA formula stays the same, the result would be more than $100,000 annually to non-FBS schools. A handful of FBS schools that offer significantly more sports than other FBS schools would also benefit from the change.

CLA's full report on the impact is on our website.

It is our view that this change in the revenue distribution formula should have changed in 2015 when FBS football launched its own national championship with a lucrative revenue distribution system separate from the NCAA.

The other solution is the Knight Commission's proposal to Connect Athletics Revenues with the Educational Model of College Sports – fittingly dubbed the C.A.R.E. Model. We released this model in September of 2021. The C.A.R.E. Model requires that shared revenues are tethered directly to the educational purpose, with a special emphasis on the core principles of transparency, independent oversight, gender equity, broad-based athletics opportunities, and financial responsibility.

For the focus of today's presentation here, we will focus on our principle of financial responsibility that recommends a conference-based approach to provide greater accountability for the spending of shared athletics revenues toward education-centric priorities.

A conference-based approach to implementing the C.A.R.E. Model is recommended for 3 reasons: 1. conferences across Division I have different financial models as you see, 2. the similar characteristics of conference schools make it more likely to achieve consensus on challenging financial issues, and as specified in the Alston ruling, conference-level action is more likely to withstand antitrust scrutiny

The C.A.R.E. Model report provides 3 examples for conference-based approaches. These are bold and innovative examples conferences could consider to ensure that appropriate amounts of distributed revenues are spent on the core educational purpose of college sports rather than investing disproportionate amounts on seeking competitive advantages.

Conferences could use one or more of these examples or design their own.

Our first example requires that a school spend an amount equal to at least 50% of its shared athletics revenue distributions on athlete education, medical expenses or other health, safety, well-being purposes or send money to university for use in university academics. Similar to what President Barron outlined the Big Ten presidents did many years ago with their conference revenues.

The Commission modeled how the 229 Division I public institutions would perform against this criteria and that detailed information is found on our website.

The summary result is that while all nonPower 5 programs at public schools would meet this criteria, only 9 Power 5 programs met the criteria.

Again the calculation considers only shared revenues received from the NCAA or conferences in the calculation.

Implementation of just the Transformation Committee's proposals may not put some Power 5 programs over this threshold given the growth they will experience in their overall shared revenues.

In our second example, conferences can create limits, spending targets and/or penalties on regulated operating expenses. For example, there could be a targeted threshold on regulated expenses that could include coaching salaries in the aggregate.

In Example 3 , conferences could address excessive coaching salaries or buyouts, within the conference, through a "luxury tax" system.

To create accountability, conferences could assess financial penalties for total coaching salaries that exceed a certain limit.

To be clear, these C.A.R.E. Model examples we just shared can be implemented at the conference level today – again without intervention or help from Congress and without any change in the current Division I governance.

Conferences imposing financial penalties on their member schools is already done in other areas. For example, this slide highlights an existing conference financial penalty to ensure compliance with a conference policy on Access to Competition Area – more commonly known as a policy against storming the field or storming the court. The policy imposes up to $250,000 for non-compliance. This same penalty concept that already exists could be used at the conference level to hold member schools accountable to the principle of financial responsibility.

So, to conclude, a couple of slides on the key takeaways from our presentation today.

First, it is not speculation, it has already been defined for us – the CFP is expanding and will likely generate a billion dollars more in shared revenue for FBS schools with a large majority of that money benefiting the Power 5 schools.

New revenues are also coming to schools in the Big Ten and SEC as a result of new conference media deals.

Without changes to the spending patterns or new policies, spending projections on coaching compensation and coaching buyouts will continue to be indefensible.

There are solutions that leaders can implement without an act of Congress to address governance, finances and equity. We believe there must be financial changes to create accountability and alignment before the coming financial explosion.

First, align CFP revenues with national costs for FBS football.

Two, acknowledge CFP revenues are the distribution system for the sport of FBS football and thus, take the sport of FBS football out of the NCAA distribution system. Again, it technically doesn't meet the criteria to qualify to be counted as it currently is since the NCAA does not operate its championship.

Three, implement the Knight Commission's C.A.R.E. Model to address financial responsibility with a conference-based approach as well as adopting the equity recommendations related to distributions.

All of these solutions can be implemented now and will better ensure that shared revenues are directed toward athletes' education, health, safety and success.

And with that, I will turn it over to Sandy to facilitate the Q&A.

[Note: A few portions of the Q&A below were edited for clarity by eliminating transitional words.]

CLUBB: Thank you, Amy, and if you are participating virtually, please feel free to drop questions in the Q&A and here in the room, please use the microphones. As you put your thoughts together, I want to introduce a few of our panelists and then we have a couple of questions teed up and we'll open it up to the audience.

Joining us in person is Knight Commission legal consultant Gabe Feldman. Gabe is a professor of law at Tulane University, where he serves as the director of their sports law program and as the university's associate provost for NCAA compliance. Joining us virtually are two financial experts who can answer questions about the financial slides. Jodi Upton is the project manager for the Knight-Newhouse College Athletics Database and Knight Chair for data and explanatory journalism at Syracuse University. Also joining us is Matthew Borchard, principal of data analytics at CLA.

We'll start with a question to Gabe. The NCAA reps have said that without federal legislation to provide anti-trust and other legal projections, it will be difficult to govern nationally and continue to provide opportunities for all college athletes. How does the C.A.R.E. model address that concern?

FELDMAN: Sure, thank you and good to see everybody. There's a lot of different ways to answer this question, but I want to be as brief as possible so we can cover other areas as well. The Transformation Committee and now the new Subcommittee on Congressional Engagement have made it clear that a priority of the NCAA is to get Congress to intervene, to provide anti-trust protection, to provide preemption of state law and to make it clear that college athletes should not be classified as employees. And part of the argument is that the NCAA cannot agree or cannot come up with a plan to restrict spending, to restrict compensation, unless it has that action from Congress. And what Congress has shown, as many have shown, is a desire to try to help college sports, to try to help maintain what is special and unique about college sports, to maintain that primacy of education.

So the question is: how do we get Congress to act? And I think this is where the Knight Commission has a slightly different perspective than the Transformation Committee. And from what I've heard so far on the Subcommittee on Congressional Engagement, the Commission believes that Congress is unlikely to act unless they are presented with a specific plan that will re-emphasize the primacy of education, that will show how the dollars will be redistributed, so that they all won't be spent the way they have been spent the last 50 years. And that's in part what the C.A.R.E. model does and whether you agree with all or some or none of the C.A.R.E. model, it is at least a specific plan or part of a specific plan that can be presented to Congress so that Congress can look at it and say: “we want you to be able to accomplish this” and in order to do that we need to give you some protection under the law. But it seems to us that you need the plan first and then say “that's why we need your help, Congress,” rather than say “help us, Congress, and then we'll come up with the plan.” So I think the C.A.R.E. model or other plans like it are a key step to gain Congress to act. And that's not just our opinion. That's from talking to staffers to talking to people on the Hill that they want to see something specific. They're not just going to give a “get out of anti-trust jail free card”.

CLUBB: So Gabe, go drill down just a little more specifically, and how does the C.A.R.E. model help the NCAA address anti-trust and the legal risk that they face?

FELDMAN: Yeah, so I'd say there's there's two aspects to it. One is as Amy mentioned, a lot of it can be done at the conference level and there is at this point almost zero risk of agreements that are made at the conference level, no matter how restrictive they may be of athlete rights, athlete compensation. The Supreme Court has made clear that conference-level agreements would be okay. The plaintiffs themselves in the anti-trust cases have said that conference-level agreements would be permissible as conferences are currently constituted. But even if we assume it's a national agreement, because many believe that individual conference agreements are unsustainable because of the natural competitive forces of those conferences, but even if there is a national agreement, one thing that the C.A.R.E. model does, it tries to re-emphasize the primacy of education.

Now, why is that important?

Because that's what the anti-trust cases are about, that's what the labor cases are about. The courts have given special treatment to college sports because they saw college sports as special, as different and they were special and different, particularly from pro sports, because they're about education first. The more that we move away from that, the less likely it is that courts are going to defer to what the NCAA does, so we need to double down on the educational mission, restrict the spending, ensure that the spending goes towards athletes, goes towards the educational mission. At least at that point you can go into court and say we are trying to maintain what's unique about college sports, and if you lose that lawsuit, you lose that lawsuit. Then you can go to Congress again and say: "look, we tried and we need your help." But right now, what's happening in this deregulatory environment, where there are payments being made that I think many believe are pay for an athlete to attend a particular school, and decisions that are being made day after day, that de-emphasized education. The message that's being sent to the courts and to Congress is that college sports is not as special as it used to be, and if it's not as special, why should it get special treatment? So I think we have to get back to doing the things like the C.A.R.E. Model does that makes it clear that college sports are different than pro, and therefore, need to be treated differently under the law.

CLUBB: Thank you, Gabe. Amy, share with us, how specifically the Knight Commission solutions align or do not align with the Transformation Committee's recommendations.

PERKO: Thank you. So, as we've said, there are very good recommendations in the Transformation Committee report and clearly the outcomes will be excellent for Division I athletes. But again, the recommendations do not go far enough. Here's where we're different in our thinking. We've called for, again, a more urgent and comprehensive solution for revenue distribution of the College Football Playoff revenues and the NCAA revenue distribution. So again, going back to our recommendation for the CFP --for a national championship that will generate between a billion and a half to $2 billion annually. Those revenues, at a minimum, should cover the national cost for operating the sport of FBS football, and clearly, our C.A.R.E. Model, as Gabe said, goes much further in addressing not only the distribution incentives but the use of the shared revenues that for all of Division I is more than $3 billion annually and will approach, actually $5 billion annually, given the expanded playoffs, and also the new media conference media contracts. So again, if help from Congress is desired, there must be a more comprehensive plan than what the Transformation Committee has provided that addresses the influx of CFP revenues.

CLUBB: So please, if you have questions... *[:20 of missing audio due to technical glitch]*

SPEAKER FROM THE FLOOR: … an athletic conference and thanks for all this great work, as a mid-major without football, clearly we experience a lot of what you are describing. I would be curious, though, there was no mention of sort of the hidden cost of bearing risk, which to me, is probably the largest cost right now we hold in the NCAA and the fact that we provide a legal shield for the football schools, and so I'd be curious as to why there was no mention of that in the recommendations.

PERKO: Great question. I will say, in terms of this, the NCAA does serve as the legal shield for FBS football, so again, that's one of the key points as well, as far as covering the national cost, that the CFP revenues should go toward, number one, the annual legal cost, but also the cost of the settlements, and those bigger costs as it relates to FBS football. We've tried to stay focused on the financial impact.

We have another report and recommendation we put out in 2020 that actually called for a new governing structure for the sport of FBS football – the Nation College Football Association funded by the CFP. It would be its own organization and the NCAA then as an organization, would be freed of any FBS-related litigation. And we didn't bring that up because we don't want to confuse the issue, which, maybe, I just now have. But I wanted to point out that was another solution. But we understand there's not a lot of interest by schools to do that, and so our point now is, regardless of whether football operates inside the NCAA, or outside the NCAA, the CFP revenues have to be addressed. And again, now is the perfect time, because there's new money coming in through the CFP. So now is the time to correct the misalignment of the past.

CLUBB: We're going to insert a quick virtual question, which is a perfect follow-up and we'll come back here. This is from Michael Basemore. Is there a reason you are not recommending the NCAA conduct the FBS championship as it does for all other sports?

PERKO: I'll jump in on this and Eric, if you want to jump in as well… we tried to stay with recommendations that we think are realistic, frankly, …there's been a lot of interesting terms used in terms of wwhether the NCAA (would) ever take over the FBS football championship and we don't think that's going to happen. It's kind of interesting. I think this is historically correct. The post-season football and conferences running the bowl games existed even before any NCAA championship, and so there's a long history there of the current operation outside the NCAA system. The NCAA looked at conducting its own playoff back in the early 90s or before the 90s, and that didn't go over well. So again, we've tried to stay on what is common sense, what can be done, and what should be done. President Barron, and I don't know if you want add…

BARRON: Well, I think that was a good answer and it does go to the fact that it is hard to all of a sudden make changes with what you have. I think it's why it's so important to think of this, as, new revenue is an opportunity. But to completely change the (CFP) would be difficult, and I think there's, at least it seemed to me, as part of the management committee, a sense that the playoff is run very well. And so, why change something that's working well? It becomes more, how do you use new dollars to make important strategic decisions?

CLUBB: Thank you. We'd like to go to the room now.

SPEAKER FROM THE FLOOR: Sure. Dennis Scanlon, Penn State University. As a faculty athletics rep, I can easily stand behind the primacy of education, which several of you have mentioned is the is the point here, but a couple of questions. I'm wondering if you've linked in your thinking the dollars and everything that you discuss to the transfer environment. You know it may not be a direct causal link, but there are monetized costs to institutions and to individuals of what we're experiencing in individual student-athletes in terms of what we're experiencing in the transfer environment in the sport of football, but other sports as well. So what am I talking about? You know, academic progress being delayed, lower graduation rates, potentially, there's been a number of statistics, I'm not sure that I've seen anything comprehensive or sort of completely as well done as perhaps we need. But those would be the costs of, again, if you could link causally and the question is, how much of this is due to the money, I think many people think that it's in part due to the money, this movement around the country, delaying academic progress, delaying degrees, delaying graduation rates. All these things have costs that can be monetized and certainly don't support the primacy of a college education. Institution's increased compliance costs. For example, everybody in an institution in DI right now is seeing the impact of a very short window when the transfer portal opens in the sport of football and the beginning of our academic semester that starts, you know, sometime in January, and all the work and all the cost and all the movement and trying to kind of fit that altogether. Obviously, there are legal issues and regulatory issues that have led to the transfer environment as well. But I guess I'd encourage trying to connect that because I think there are real monetary costs.

The other one, of course, would be what some have described as FCS schools serving as kind of the, you know, sort of the minor leagues for transfers to the FBS, and you know it seems like there's something philosophically or fundamentally wrong with an institution making a commitment to someone in the form of athletic aid, having them stay a year and then move as an individual. I don't fault any student-athlete for sort of wanting to move, but the question is: what about the monetary cost of that school, or that institution that made an investment in that individual and now basically gets no return on that investment? So curious as to whether those are issues that you've thought about.

PERKO: I'll start the response and, Gabe, if you want to add anything, but clearly the transfer environment and the chaos of the portal has been impacted as well due to the fact that NIL has not been regulated. So I think that's an obvious concern and one that hopefully can be addressed, moving forward with a better plan for applying actually the principles and the rules as it relates to NIL, and I would say that, you made very great points. I'm glad you brought up the impact on FCS, because again, we're seeing an FCS conference moving into the FBS. The financial incentives to remain in the FCS are not real strong right now, and so again, what's happening in FBS expanded playoffs is having an impact on the FCS, the health of FCS. We believe our solutions would help make that healthier. But certainly that impact needs to be considered as well.

FELDMAN: The only other thing I'd add quickly is, I think there are sort of two approaches to modernizing the NCAA rules and rule books and the approach that's been adopted, and I understand why, in the wake of the Alston case, but the approach has been to try to eliminate or minimize any rules that might create additional anti-trust liability. That has its benefits because it does potentially minimize additional liability, but it has its problems because as you de-regulate, again, you look less like the college sports that we know, where athletes are getting paid in name for NIL, but it certainly seems like in many cases they're getting paid to play at that school, and they are quickly transferring from one school to another if they can to get that money. So it looks a lot more like unregulated pro sports than it does like college sports.

And you say, well, “we'd like to restrict the transfer portal, but we're afraid of getting sued,” and they say, “well, why don't you restrict what coaches do if you’re going to try to restrict what athletes do?” And they say, “well, we tried to restrict coaches and coaches’ salaries and we got sued and we lost.” And that's true. But that was one case in the 10th Circuit over, about 30 years ago, and I don't think that decision should be driving how the NCAA moves forward. I think what the NCAA should be doing moving forward is say, “let's look at the big picture. What would we want to do to make it so that education is the primary driver of college sports?” And that may include greater restrictions on coaches, on money spent on athletics. The problem is when it’s just restrictions on college athletes. That's where the litigation comes. And, so that's where it comes back to having the broader plan, something like the C.A.R.E Model that says here's how we're going to rein in spending across the board, not just on athletes. Here's how we're going to try to restrict free agency, not just on athletes, to try to make it so, whether it's the coach or the athlete, it's about the primacy of education and then you can go to Congress and say “here's what we want to do. We don't think we can do it without getting sued, now come in and give us your help.” I think that's what's the missing piece here is -- just sort of piecemeal, trying to address transfer portal, trying to address NIL, without addressing the overall landscape and how to make overall changes to make college sports unique again.

CLUBB: Thank you. We do have one media question virtually, and then we'll conclude with your question. Thank you. From Liz Clarke at The *Washington Post*: What do you see as the most powerful, realistic lever to force the change in spending priorities the Knight Commission proposes in advance of the influx of the one, over a billion dollars in new revenue. Is it the new NCAA President? Is it threat of Congressional intervention or actual intervention? The courts? Is it mobilizing action by college athletes? Is it university presidents and CEOs? Is it public shaming? There’s a whole lot there.

FELDMAN: I'll give one aspect of the answer. I don't know if it's the most powerful, but I think it's pretty clear if we stay on this current course, where the courts are watching to see how college sports defines itself, and is college sports is different than pro sports. And the answer has always been, it's different because the focus on education, and the athletes aren’t paid and if we *[:10 pause in audio due to to technical glitch]* then get an influx of a billion plus dollars and that many, many judges in this country are not going to give any deference to college sports and they are going to say, you want special treatment, but you're not special. You just took two billion dollars and spent it on facilities and coaches and you continue to have revenue drive the decisions you make about your athletes. And this would be just yet another decision that's made that is not about the primacy of education. So I think from my perspective, we have to wait for the crisis moment -- the crisis is here. People have heard me say this, we are the dog, having the cup of coffee, in the fire, saying this is fine. It's not. If we don't act now, then the force, the change is going to be forced on us, whether it is by the federal courts, in the anti-trust litigation that is already pending, whether it's by the National Labor Relations Board, whether it's by the Third Circuit, that next week (will) hear the case about whether college athletes are employees under FLSA, whether it's state legislators, someone's going to see - well, if the NCAA isn't really serious about protecting what's unique about college sports, why should we do it as the courts? So to me that would be the greatest levers -- if you don't change, it's going to be forced on you.

BARRON: I think what's unique is we're at a point where crisis is meeting an opportunity with these revenues -- this wouldn't be possible, I think, it would be far too difficult to do it without those revenues, and my belief, having been an ACC president and a Big Ten president, is the presidents want to have changes like this, but it has to be a collective. So I'm willing to bet that it's all of the above working together to take advantage of the opportunity, because we've been talking about the crisis for a long, long period of time, but we've never had a financial opportunity like we have today.

CLUBB: Thank you and we'll conclude with our in-person question, please.

SPEAKER FROM THE FLOOR: Thank you very much. I'm Matt Brown. I'm the publisher of the Extra Points newsletter with D1 Ticker. I think, to piggyback on these last few questions, I can certainly appreciate the Knight Commission laying out here a desire to mandate and to make sure that certain allocations of funds go to supporting college athletes, but, to kind of piggyback off what Gabe just mentioned here, there's certainly plenty of external forces, not to mention potential labor organizing, that are calling for direct financial compensation to athletes, not in the form of support, but in the form of cash, for payment for labor. I'm wondering here if anybody in this group sees a way where those two systems could coexist or if Knight believes that funding should only be going towards supporting of athletes rather than any direct financial payments in the near future.

PERKO: Thanks, Matt. So, I think you know what you've offered is another hybrid model, maybe for a certain segment of schools, and what we presented today is based on our current model. And the simple answer to your question is to explore what you're talking about in terms of, let's look at other hybrid models that may need to evolve and develop, would be another 60- to 90-minute presentation … which we're at the end of our presentation. But, I would just offer that we are at that moment where very different ideas need to be studied and, we've given a lot of thought, we have data, obviously this is a series of solutions that we think should be on the table…not to say that there needs to be a discussion of other potential hybrid evolutions. But that's where I'm going to end it with that, anybody else?

MCCLENDON: For for a final comment, I just want to say that we're living in times with immense change, with …transferring and NIL, and at some point I know that, Gabe’s talked about it and we've talked about it as a Commission as well. You think, especially the NIL piece going to level out right? Like, will these funds sustainably be able to go forward at the amounts they are going to? So I think there's going to be over the next two to three years, a lot to figure out in terms of what does that market look like, from an up and down standpoint? But also, I think that, as as President Barron and Amy had mentioned, the time is now because you do have so much change at once, almost, let's call it what it is, so much chaos, and within chaos, there's a lot of opportunity. So, I think the Knight Commission is super excited about putting forth these opportunities, but, it's going to take an aligned leadership, as President Barron said, to really try to rein this in. So, really appreciate everybody’s time.

CLUBB: Thank you, Jacques, perfect closing comment. It is a pivotal and historic time in college athletics and, on behalf Knight Commission on Intercollegiate Athletics, thank you for your engagement, your participation. Both the session and the materials will be available online, should you desire to access them, on our website. Thank you so much for joining us. Have a great day.