EXECUTIVE SUMMARY

The Drake Group\(^2\) fully supports H.R. 2731, The National Collegiate Athletics Accountability Act (“NCAA Act”), a bipartisan bill under consideration by the 114th Congress. The bill would establish a Presidential Commission to identify and examine issues of national concern related to the conduct of intercollegiate athletics and to make recommendations for
1. Economic Impact on Higher Education Institutions. Current conditions pose grave threats to the financial stability of college athletics programs:
   > a recent court decision (O'Bannon v. NCAA) mandates an increase in the value of allowable athletics financial aid;
   > NCAA approval of decision-making autonomy to sixty-five of its most commercialized athletic programs, which will result in more expensive athletics practices and greater competitive imbalance among Division I institutions;
   > an alarming escalation of coaches’ salaries inappropriate for non-profit educational institutions that enjoy significant tax preferences; and
   > pending multibillion dollar antitrust and concussion lawsuits.

These circumstances create pressure on educational institutions with Division I athletic programs to increase spending on athletics. Therefore, such institutions will consider one or more of the following means to raise new funds or shift existing funds:
   > increasing general fund and/or mandatory student fee athletic program subsidies at a time when student loans, high tuition rates, and high student fees are causing great national concern;
   > appealing to donors to increase their gifts to athletics at a time when such gifts are needed for the larger institution;
   > eliminating or reducing funding for Olympic sports;
   > ceasing already insufficient efforts to achieve Title IX compliance for women’s athletics; and
   > pressuring state legislatures to use already stressed state education funds to supplement athletics budgets.

2. College Athlete Health and Safety. The NCAA and its member institutions are not addressing sufficiently the health and safety needs of college athletes regarding athletics injury insurance and the prevention and treatment of concussions.

3. Academic Integrity. The academic integrity of higher education faces an existential threat from academic fraud involving college athletes, which results from the exploitation of athletes whom institutions admit even though the athletes do not meet regular admission standards.

4. Lack of Presidential Control. Eighty percent of Football Bowl Subdivision college presidents believe they are unable to control their commercialized athletic programs.

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3 Introduced on January 12, 2015 by U.S. Representatives Bobby Rush (D-IL), Joe Barton (R-TX), Bobby Scott (D-VA) and Charlie Dent (R-PA). Retrieve at: https://www.congress.gov/bill/114th-congress/house-bill/275/text
5. **Minority of Commercialized Athletic Programs Have Voting Control of the NCAA.** The most commercialized athletics programs have voting control of the NCAA and are escalating, not controlling, the football and basketball “arms race.” Their lack of restraint, in dogged pursuit of economic self-interest, precludes reform.

6. **Need to Consider Solutions Only Congress May Grant.** The challenges are so complex that most experts agree only Congressional intervention can produce meaningful reform, because the potential solutions require Congressional action. For instance, only Congress can:
   > condition Higher Education Act funding of the most commercialized athletic programs on continued membership in a national governance association that requires members to demonstrate educationally sound practices and fiscal restraints;
   > establish a federally chartered non-profit organization to replace the NCAA, granting such organization exclusivity in the conduct of national championships (similar to the 1978 Amateur Sports Act that established the USOC and granted it exclusivity to use the Olympic rings and govern open amateur sports), and mandating the use of its proceeds to enable all member institutions to provide health protections, athletic injury insurance, and educational benefits for all 480,000 collegiate athletes;
   > grant a limited antitrust exemption that will allow the national governance association and its member institutions to control costs without fear of being sued under the Sherman Antitrust Act but only if such exemption is conditioned on the association meeting education, health, and due process mandates and being governed by an independent board of expert directors not currently employed by any member institution and devoid of conflicts of interest; and/or
   > grant the governance association subpoena power and require sufficient due process in enforcement proceedings to adequately protect athletes and member institutions against the arbitrary withdrawal of participation rights, scholarship assistance, or other benefits.

7. **Precedent for Congressional Intervention.** Precedent exists for such Congressional intervention (e.g., 1975 President’s Commission on Olympic Sports Reform that addressed athlete protection, championship exclusivity, integrity, and governance issues in Olympic sports).

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**Need for Congress to Intercede in the Conduct of Intercollegiate Athletic Programs**
The following recent events pose grave threats to the financial stability of college athletics programs:
1. *O'Bannon v. NCAA*, which mandates increases in the value of allowable athletics financial aid to include full cost-of-attendance⁴;

2. Pending antitrust⁵ and concussion lawsuits⁶ against the NCAA and its member institutions, which create potential liabilities in the hundreds of millions of dollars;

3. The NCAA’s recent approval of autonomy for 65 of its most commercialized athletic programs.⁷ This change will allow more expensive athletics practices which in turn will escalate the football/basketball arms race in Division I. It will also concentrate superior health, academic, and welfare benefits in these 65 institutions, rather than making them available to all the athletes at the 300+ Division I institutions or the athletes at all 1,076 NCAA member institutions⁸;

4. The National Labor Relations Board refused to consider its Region 13 Director’s classification of Northwestern University football players as employees and instead, requested direction from Congress. If athletes were determined to be “employees”, it could result in the taxation of athletic scholarships as employment earnings, the payment of unemployment and other taxes by institutions and the provision of insurance and disability benefits costing millions of dollars⁹;

5. The financial vulnerability of most NCAA members’ athletic departments. Only 20 of the 1,076 NCAA member institution athletic programs have operating revenues that exceed operating expenditures. Further, the average operating deficits of all other athletic programs in all divisions have steadily increased over the last decade and show no signs

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⁴ O’Bannon v. NCAA, 7 F. Supp.3d 955 (N.D. Cal 2014).
⁷ Bennett, B. (2014) NCAA board votes to allow autonomy. *USA Today* (August 14, 2014). Retrieve at: http://espn.go.com/college-sports/story/_/id/11321551/ncaa-board-votes-allow-autonomy-five-power-conferences. See also Thompson, E. (2014) SEC Commissioner Mike Slive threatens Division IV if autonomy for Big Five is Rejected. *Orlando Sentinel* (May 30, 2014) Leaving the NCAA and becoming Division IV means the same thing because of 1997 legislation that would allow new subdivisions to keep their own revenues. The practical effect would be to undermine the NCAA Final Four basketball championship distribution to all Division I institutions.
of shrinking. Institutions are using general funds or mandatory student fee subsidies to cover these operating deficits. Moreover, these reported operating deficits do not include most athletic capital costs and other indirect expenses, which an NCAA study estimated to average over $20 million per FBS institution annually.

6. An unprecedented and well-documented escalation of collegiate head coach salaries that are inappropriate to nonprofit educational programs.
   - More than 100 coaches are earning at least $1 million annually;
   - The top 25 collegiate football coaches are paid an average of $3.85 million annually;
   - The mean salary of FBS football coaches and Final Four participating coaches exceeds $1.4 million;
   - The mean salary of FBS athletic directors is more than $500,000 per year; and
   - The highest paid public employees in 40 of the 50 states are athletic coaches (see next page).

"It's really an embarrassment for higher education that at a time when both colleges and universities are having fiscal challenges and tuition is rising at rates that has everybody alarmed, here we are paying coaches at the level they're being paid."

--Brit Kirwan, Chancellor, Maryland state university system, Co-Chair, Knight Commission on Intercollegiate Athletics

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13 USA Today athletic director salary database, retrieve at: http://www.usatoday.com/story/sports/college/2013/03/06/athletic-director-salary-database-methodology/1968783/


http://www.slate.com/content/dam/slate/blogs/moneybox/2014/04/07/college_coach_pay_a_chart_that_will_make_academics_weep/screen_shot_20140407_at_9.34.07_am.png.CROP.promovar-mediumlarge.34.07_am.png
All of these events and financial issues create pressure on institutions with Division I athletic programs to increase spending on athletics. The pressure to spend will prompt institutions to consider one or more of the following means of raising new funds or of shifting existing funds:

- by increasing general fund and/or mandatory student fee athletic program subsidies at a time when student loans, high tuition rates, and high student fees are causing great national concern\(^{17}\);
- by appealing to donors to increase their gifts to athletics at a time when such gifts are needed for the larger institution’s academic programs\(^ {18}\);
- by eliminating or further reducing funding for Olympic sports\(^ {19}\);
- by abandoning already insufficient efforts to achieve Title IX compliance for women’s athletics\(^ {20}\); and
- by pressuring state legislatures to use already stressed state education funds to supplement athletics budgets.\(^ {21}\)


\(^{19}\) Sports programs are being added for men and women in Divisions II and III while non-revenue sports, almost all of which are Olympic sports, are being eliminated in Division I because of the football/basketball arms race. As a result, 78% of all men’s athletics operating expenses in Division I FBS institutions, the top revenue producers in college sport, are going to football and men’s basketball, and progress on Title IX compliance with regard to adding women’s sports has ground to a standstill. See National Collegiate Athletic Association. (2014) Composition and Sports Sponsorship of the Membership: 2012-13 Membership Composition. Retrieve at: http://www.ncaapublications.com/p-4344-division-i-revenues-and-expenses-2004-2013.aspx.


Aside from threats to financial stability, grave threats exist to the academic integrity of institutions of higher education that sponsor commercialized athletic programs, as the following events illustrate:

1. Increasing instances of academic fraud and other academic improprieties within athletic departments caused by extensive recruiting of underprepared athletes who do not meet published institutional admissions standards;\(^{22}\)

2. The common practice among Division I institutions to allow admission standards exceptions for athletes – placing academically underprepared students in competition with better prepared students;\(^{23}\) which results in one or more of the following exploitative and unethical practices:
   - The extreme clustering of high-risk athletes in academic majors without academic rigor designed to maintain eligibility and retention;\(^{24}\)
   - The devaluation of degree credentials;
   - The hiring of learning specialists to remediate deficient athletes;
   - The placement of athletes in easier courses;
   - The overrepresentation of athletes in independent study courses taught by professors who give high grades for limited work;
   - The assignment of tutors to athletics, which raises questions of student vs. tutor work product;
   - The failure to report plagiarism by athletes; and
   - The significantly lower graduation rates of athletes in revenue-producing sports, especially among and African-American athletes.

3. Changes in NCAA eligibility rules that lowered the minimum academic requirements for freshmen and penalized teams and colleges whose athletes do not make consistent progress toward a degree have prompted athletic departments, including at the nation’s most selective and prestigious institutions of higher education, to commit academic fraud.\(^{25}\)

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\(^{25}\) Some of which are: University of North Carolina, see http://www.cbssports.com/collegebasketball/eye-on-college-basketball/24601838/ncaa-will-re-open-academic-fraud-investigation-at-north-carolina; University of Notre Dame, see http://online.wsj.com/articles/is-notre-dame-football-too-demanding-1408726455 or http://www.cnn.com/2014/08/16/us/notre-dame-academic-fraud-investigation/; Harvard, see http://www.nytimes.com/2012/09/19/sports/ncaabasketball/harvard-cheating-scandal-revives-debate-over-
4. The now common practice for athletes at Division I athletic programs to “major in eligibility” rather than pursue academic degrees. Football and basketball players have testified in a National Labor Relations Board investigation\(^{26}\) and in court\(^{27}\) about:

- 40-50 hour “work weeks” in athletics with only 12-20 hours per week commitments to their academic coursework;
- prohibitions on taking coursework that conflicted with team practice times;
- prohibitions on declaring majors whose difficulty might pose a risk for athletic eligibility; and
- excessive athletics time commitments that preclude internships, summer jobs and opportunities to study abroad.

Apart from concerns about financial stability and academic integrity, athletic departments and the NCAA have failed to address the health and safety needs of college athletes. The NCAA was founded in 1906 threatened to ban college football as a result of player deaths unless colleges began to protect students from dangerous athletics practices. Despite this history, the NCAA has claimed in court documents that it is not legally responsible for protecting student-athletes.\(^{28}\)

The NCAA, its member conferences, and member institutions derive billions of dollars from television media rights for regular season and postseason championship events. Although the NCAA provides catastrophic injury insurance, neither the NCAA nor its member institutions provide primary athletics injury insurance for athletes. Parents and student-athletes are required to carry their own insurance as a condition of athletic participation. At most, college athletic departments carry secondary policies. The NCAA and its member institutions can and should provide insurance coverage which is the equivalent of traditional workers’ compensation benefits without athletes having to be employees.

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In the 113th Congress, two bills were filed that would have required, as a condition of continued Higher Education Act funding, that higher education institutions provide a variety of medical and legal protections to college athletes. Those protections include baseline neurological testing, coverage for athletic injury costs, and due process in case of the withdrawal of scholarship funding or the removal of participation privileges. Those bills were combined and reintroduced in the 114th Congress as H.R. 2731.

Congressional hearings have revealed that institutions of higher education have been complicit in failing to provide students protection from sexual assault and harassment by giving their athletic departments oversight over cases of sexual violence allegedly committed by student-athletes.

**Why the National Collegiate Athletic Association is Incapable of Instituting Needed Reforms**

Several reasons suggest the contention that the NCAA is incapable of instituting necessary reforms. The Knight Commission’s research has revealed that 80 percent of college presidents at FBS (highest Division I competition subdivision) institutions believe they cannot control the excesses of FBS commercialized sports. Powerful alumni and political forces in support of winning athletic programs place college and university presidents in fear of losing their jobs if they are perceived as damaging the potential for athletics success by controlling costs and coaches’ salaries.

The most commercialized athletic programs control the NCAA. NCAA member institutions have given the 128 members of the FBS weighted voting power because these institutions threatened to leave the NCAA otherwise. Thus, the institutions with voting control are not about to restrict their own commercial excesses or remedy their educational exploitation of academically underprepared athletes. Further, these institutions have prevented the NCAA from owning the FBS football championship (the College Football Playoff) and from sharing its media revenue with other NCAA members (as is done with the Final Four).

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Congressional Intervention Offers Possible Solutions Not Within the Power of the NCAA

The challenges of reform, including requiring FBS institutions to remain part of the larger NCAA community (which could be a requirement of Congressional action) are so complex that only the threat of losing federal Higher Education funding appears likely to move the needle toward meaningful change. Congress controls funding under the Higher Education Act.

Only Congress can grant a limited antitrust exemption that would permit the NCAA to legislate cost controls without facing antitrust lawsuits. Such an exemption should be conditioned on the NCAA meeting Congressional mandates to protect the academic and physical wellbeing of college athletes. Only Congress can grant subpoena power to help fix a broken NCAA enforcement system that denies due process to institutions and athletes. And only Congress can mandate the establishment of a federally chartered non-profit organization to replace the NCAA. The NCAA will not consider this possibility.

A Presidential Commission would provide the opportunity to assemble national experts to address these complex issues in a comprehensive way without the “conflict of interest” barriers that prevent the NCAA from doing so.