

Collegiate Athletics Reform: When will we ever learn?

a College Athletics CLIPS Guest Commentary

Our guest author asks a provocative question: In view of America's debt crisis, the tax-exempt status of the NCAA and its member institutions, and the public's nearly unquenchable appetite for 24/7 sports entertainment, why doesn't the government surtax all sports-related revenues associated with college/university and professional sports?

By Frank G. Splitt, 11-08-11

Notwithstanding the NCAA Board's recent reform announcements, no doubt aimed at confidence-building, serious questions remain about the willingness and ability of the NCAA and conference officials to reform their operations. Why so? Simply stated, these officials have conflicting interests as promoters of their professional sports entertainment businesses and enforcers of rules that can curtail the viability of these businesses.

Besides, there is no meaningful oversight of the NCAA cartel (the NCAA and its member institutions) as it is not only self-reporting and self-regulating, but self-enforcing as well. Furthermore, the cheating and corruption that enables the cartel to maintain its tax-exempt status—while fielding professional teams with their conferences serving as the minor leagues for the NFL and NBA—are rooted in the same types of cronyism and cozy relationships that were instrumental in spawning today's worldwide financial crisis.

As with AIG and the big banks, government officials consider the NCAA cartel's businesses too big to fail and too popular with constituents (a political 'third rail'). Consequently, they have been reluctant to require corrective action, such as imposing requirements for transparency, accountability and oversight that would not only help assure compliance with federal conditions for the cartel's tax-exempt status, but expose its secretive operations to disinfecting sunshine as well. Recent calls for congressional activity to address the proliferation of scandals in collegiate athletics have been made by Congressmen Bobby Rush (D, IL) and John Conyers (D, MI).

Congressmen Rush's November 1, 2011, panel, "Hypocrisy or Hype?," provided a ray of sunshine and may very well lead to an exception to the long-standing general hands-off rule.¹ His panel discussion coupled with articles by Taylor Branch, Charles Pierce, and Allen Sanderson, as well as the work of students at Kent State University,²⁻⁵ add even more insights into the seamy side of collegiate athletics to those presented in previous commentaries.

This material also prompted a number of finance and tax-related questions as follows:

1. Why are federal and state politicians, who complain about debt and high-paid public employees, silent about the fact that, in most if not all states, the highest paid public employee is either a college football or basketball coach working in the school's non-profit sports entertainment business?
2. Why does the federal government allow the NCAA cartel (the NCAA and its member institutions) to operate as if its tax-exempt status is a well-deserved entitlement when its so-called amateur "student athletes" are not only paid via increasing grants-in-aid ("athletic scholarships"), but also compete on professional teams in conferences that serve as the minor leagues for the NFL and NBA?
3. If the primary purpose of America's schools is to educate its next generation of leaders and good citizens, why are they serving as cost-and-tax-free training grounds for the NFL and the NBA?

4. Why does the NCAA only limit the 120 teams in the Football Bowl Subdivision to 85 "scholarship" athletes each when the NFL limits active team rosters to no more than 53 players, especially when schools are experiencing severe financial problems?
5. Why do students who are not "student athletes" have to pay fees so that college athletes can attend school for free?
6. If subsidizing collegiate sports via favorable tax policies is such a good idea, why don't America's global competitors give lucrative grants-in-aid to their countries' best athletes?
7. In view of the above, America's debt crisis, and the public's nearly unquenchable thirst for 24/7 sports entertainment, why doesn't the government surtax all sports-related revenues associated with college/university and professional sports?

Recently, these questions were posed to key staff members of the Senate Finance Committee (SFC).⁶ It was requested that each question be given thoughtful consideration, especially question # 7, in light of comments by The Drake Group on the draft of a Redesigned IRS Form 990,⁷ a paper published in *The Montana Professor*,⁸ Congresswoman Jan Schakowsky's March 17, 2005, call for attention to work on collegiate athletics reform,⁹ as well as two relevant quotes:

Unfortunately, the nation stands in denial. We have no one to blame but ourselves with our seeming addiction to 24/7 sports entertainment and tolerance of a political class that seemingly prioritizes re-election above all else. When will we ever learn?—Frank Splitt¹⁰

Education is the engine of social mobility, and it's sputtering. Americans have two options: improve our schools or accept a lower standard of living.... Other countries have focused on math and science, while in America degrees have proliferated in "fields" like sports exercise and leisure studies.—Fareed Zakaria¹¹

It remains to be seen whether or not the SFC responds with potentially game changing taxation reform.

In the meantime, consider this: Although cheating, academic corruption, brain injuries, deaths, and cover-ups in collegiate athletics can have a disastrous impact on America's citizens, its educational institutions, and its long-term vital interests, they certainly don't generate the attention and headlines associated with sex related scandals. However, the current sex-abuse scandal at Penn State University is illustrative of the extent to which school officials will go to protect their sports entertainment businesses and coaches. The Penn State sex-abuse scandal also tells much about America's culture ...a culture that can possibly lead to its downfall as a world leader.

Some 80 years ago philosopher Alfred North Whitehead wrote that when one compares the importance of education with "the frivolous inertia with which it is treated," it is "difficult to restrain within oneself a savage rage"—an apt description of the feelings of those working in collegiate athletics reform who see athletics prioritized over academics at schools sponsoring big-time football and men's basketball programs....programs that are not only hugely popular with America's sports obsessed public, but are also government subsidized by virtue of favorable tax policies.

It's all about America's culture. It has been said that culture is the most important story of our times. When will we ever learn?

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A complete listing of links to his essays and commentaries on college sports reform can be found at <http://thedrakegroup.org/splittsays.html>

NOTES

1. Frommer, Fred, "Bobby Rush compares NCAA to Mafia," *Associated Press*, November 2, 2011, http://espn.go.com/college-sports/story/_/id/7177833/illinois-congressman-bobby-rush-compares-ncaa-mafia For more on the comparison of the NCAA to the Mafia made by Congressman Rush during the panel discussion, see Chapter 10, "The NCAA: Cartel or Mafia," in Mark Yost's book *VARSITY GREEN: A Behind the Scenes Look at Culture and Corruption in College Athletics* (Stanford University Press, 2010)."
2. Branch, Taylor, "The Shame of College Sports," *The Atlantic Monthly*, October 2011, <http://www.theatlantic.com/magazine/archive/2011/10/the-shame-of-college-sports/8643/>
3. Pierce, Charles P., "The Beginning of the End for the NCAA," *Grantland*, November 1, 2011, http://www.grantland.com/story/_/id/7177921/the-beginning-end-ncaa
4. Sanderson, Allen R., "Taxes and Touchdowns: Leveling the Playing Field in College Athletics," *Chicago Life*, Published online Oct. 1, 2011, http://www.chicagolife.net/content/politics/Taxes_and_Touchdowns
5. Kent State University Journalism Students, "Examining the University Bill," <http://et.kent.edu/jmc40004/fees/>
6. The SFC is chaired by Senator Max Baucus, (D, MT) with Lily Batchelder serving as the Chief Democratic Tax Counsel. Orrin Hatch (R, UT) is the SFC's Ranking Republican member with Jim Lyons serving as the Chief Republican Tax Counsel.
7. Splitt, Frank G., "Comments by The Drake Group on the Draft of a Redesigned IRS Form 990," September 12, 2007, http://thedrakegroup.org/Splitt_TDG_IRS_Commentary_091207.pdf This paper was written at the behest of Dean Zerbe, the Chief Republican Tax Counsel for the SFC when it was chaired by Senator Chuck Grassley. He resigned in 2007, shortly after the Republicans lost control of Senate committees after the 2006 elections, Theresa Pattara served as his replacement.
8. Splitt Frank G., "The U.S. Congress: New Hope for Constructive Engagement with the NCAA and Intercollegiate Athletics." *Montana Professor*, Spring 2007, <http://mtprof.msun.edu/Spr2007/splitt.html> . This paper—written at the invitation of the president of the University of Montana and the president of Montana State University—was distributed to all members of the SFC by Senator Baucus' staff.
9. "Why Congress Should Review Policies that Facilitate the Growth and Corruption of Big-Time College Sports, Extension of Remarks by Representative Janice D. Schakowsky" March 17, 2005, page 9 of Essays and Commentaries on College Sports Reform, http://thedrakegroup.org/Splitt_Essays.pdf
10. Splitt, Frank G., Confidence Men On Wall Street and College Campuses," October 5, 2011, http://www.thedrakegroup.org/Splitt_Confidence.pdf
11. Zakaria, Fared, "When Will We Learn?" *TIME*, page 42, Nov. 14, 2011.