The Economics of NCAA Sports and Conference Realignment

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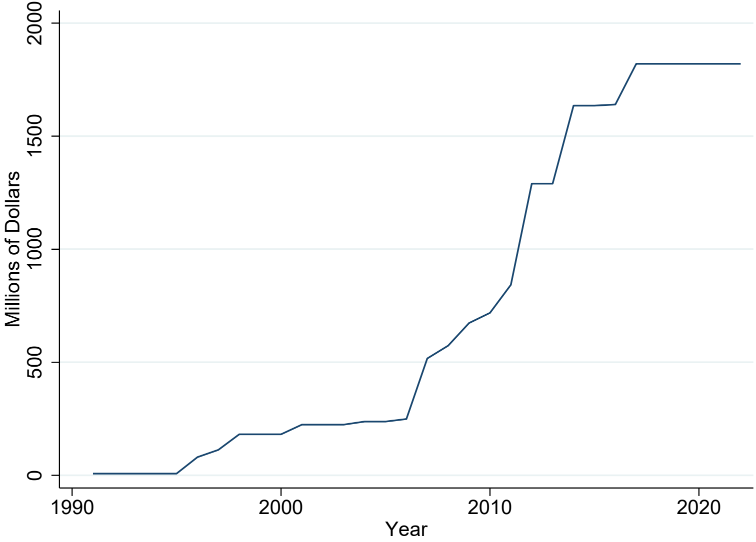
The Big Picture

- 1984 SCOTUS Decision on football television broadcast rights (*Board of Regents v. NCAA*) started this
- The driving force: "Power 5" conference football broadcast rights money
- "Power 5" conference commissioners have a fiduciary responsibility to conference members that does not align with the mission of public universities, college athletes, or college football fans
- Big time college sports represents a commercial activity outside of the traditional educational mission
- Big time college sports represents interstate commerce which requires federal regulation

Board of Regents and Football Broadcasts

- **1939**: First college football broadcast
- **1950s-1970s**: NCAA negotiated football broadcast rights contracts and heavily regulated which teams appeared on television
- **1981**: Oklahoma and Georgia BoRs sued NCAA for anti-trust violation (restraint of trade) under the Sherman Act
- **1984**: SCOTUS ruled in favor of plaintiffs; ABC purchases ESPN and purchased college football broadcast rights
- Post *Board of Regents*: athletic conferences & individual schools (Notre Dame) negotiate football broadcast rights contracts
- Conference realignment driven entirely by incentives for conferences to increase football broadcast rights fees

Annual Power 5+ Football Broadcast Rights Fees, $ millions



Big Time Sports and Public Universities

- The mission of universities is to educate, but many also operate commercial activities (hospitals, hotels, dairies)
- NCAA athletic departments derive a much larger share of revenues from commercial activities than other parts of the university
- Division I athletic departments engage in an *Arms Race* with rivals in terms of spending on coaches and athletic facilities
- Revenues from commercial activities stay in the athletic department
- Research shows big time college sports generate some negative student outcomes
- 2009 Congressional Budget Office report: Division I sports represents commercial activity and could be taxed as Unrelated Business Income Tax (UBIT), but they could easily change accounting practices to avoid it

College Athletic Conferences

- Perform a number of important economics functions: set schedules, conduct championships, provide and regulate officials, etc.
- Negotiate *football* broadcast rights deals with networks, streaming services
- Conference commissioners have a fiduciary responsibility to member schools which leads them to maximize football broadcast rights fees
- Football broadcast rights fees depend on # of conference game viewers, so adding schools in large media markets increases these revenues
- Conference commissioners have different incentives than college football fans or college athletes
- NCAA cannot get involved in football broadcast rights, but has declined to engage in any regulation to protect the interest of fans or college athletes

Concluding Thoughts

- Big time college sports represents commercial activity
- CBO Report: "Because public universities operate under the auspices of state governments, laws regarding state commercial enterprises may also be relevant to the commercialization of their activities"
- Public universities receive special tax treatment because they serve the public interest. How does the operation of commercial activities by public universities serve the public interest?
- Evidence shows conference changes by schools have no impact on academic outcomes at those schools
- *Berkeley Tax*: University of California BoR allowed UCLA to move to B1G but required "mitigation measures involving travel and other issues regarding student-athlete welfare" and up to $10 million annual payments to Cal