Compensating athletes for participating in college sports remains prohibited in the updated NCAA constitution.

However, calls for change continue to grow louder and show that “pay for play” is not resolved. Justice Kavanaugh’s concurring opinion from the Alston case expressed doubts about the legality of the existing amateurism framework. NLRB General Counsel Jennifer Abruzzo issued guidance that college athletes should be treated as employees under the National Labor Relations Act. And the extraordinary football coaching contracts signed in late 2021 reinforced a perception among some athletes and members of Congress that players are not receiving a fair share of the commercial value being created in major college athletics.

NCAA member schools will continue to emphasize the importance of athletes being treated as students rather than employees. However, in light of evolving public and legal opinions on the matter, presidents and boards of trustees across the Division I spectrum should be contemplating the reality of conducting athletics in an environment where compensating athletes becomes permissible or required. Such analysis is also timely given the ongoing changes in the governance of Division I.

“Pay for play” in college athletics has long been taboo among the institutional and establishment leaders. But what if the downstream consequences of “pay for play” are more nuanced and could even net out to be beneficial for many universities with mid-major athletics programs?

This paper highlights the financial barriers that would realistically prevent most mid-major schools from compensating athletes. Then, it outlines how an inability to compensate athletes would formally relegate these schools away from the highest competitive tier of Division I. Finally, it explains how the institutional status benefits currently associated with Division I membership would be diminished by the new “pay for play” tier – thereby removing a prestigious brand asset that is valued by mid-major schools but has also inflexibly entrenched their current patterns of athletics spending. Accordingly, although initially disruptive, “pay for play” would have the long-term effect of creating additional political latitude for mid-major campus leaders to revisit the financial structure and values of their athletics programs.

If “pay for play” comes, mid-major campus leaders should be mindful of the accompanying silver linings. A post-amateurism landscape would make it more practical for mid-majors to reduce university subsidies and student fees, refocus athletics on educational priorities, and make other financial or structural changes that have been previously contemplated but politically unfeasible to implement. Ironically, “pay for play” presents mid-majors with a sensible exit strategy from the unwinnable college athletics arms race.
Mid-Majors Can’t Afford to ‘Pay for Play’

Athlete compensation is usually discussed in the context of the most visible and highly commercialized parts of the college sports landscape. Arguments for “pay for play” are often based on the premise that athletes do not receive a fair share of the significant revenue being generated. However, current Division I membership also includes many institutions that do not produce substantial revenue from athletics activities and are instead mostly subsidized by institutional funds and student fees.

The dramatic differences between athletics programs in Division I is one of the primary factors complicating its governance. In 2020, Division I athletics spending varied from $3.9M to $218M, and the amount of athletics operating revenue generated ranged from $749,652 to $234M.1 Intercollegiate athletics is a powerful tool for brand marketing and student and alumni engagement at some schools. At other Division I universities, its primary value to the institution is that roster spots help to drive enrollment of full-paying students or students from diverse backgrounds.

However, other schools in Division I do not generate nearly enough revenue through athletics to cover the additional expenses associated with “pay for play”. Cumulatively in the Mid-American Conference, only 28% of athletics revenue comes from operating income (e.g., ticket sales, gifts, rights fees, etc.). Most of the funding for athletics is provided by university and government sources, at a time when many institutional budgets are already under duress.

Other schools receive a significant amount of athletics funding from student fees, making it difficult to justify a spending increase to pay athletes. For example, student fees accounted for 24% of athletics revenue ($340M) across the Football Championship Subdivision in 2020. Students often approve these fees to help pay the scholarship costs associated with participation in Division I, meaning that fee-paying students are subsidizing tuition for their athlete classmates. But it seems unlikely students would also want to support compensation beyond tuition for their athlete peers. Accordingly, students are likely to call on the university to reduce athletics department reliance on student fees before supporting any incremental spending towards athlete pay.

Finally, several mid-majors are irreconcilably opposed to “pay for play” on philosophical grounds and would not compensate athletes even if they had the financial means. For example, Ivy League schools do not award athletics scholarships and are unlikely to begin paying athletes.

If the legal framework of college sports changed to permit or require athlete compensation, a significant portion of what is currently Division I could not feasibly participate in a “pay for play” system.

Division I Needs Restructuring

If the ongoing Division I Transformation Committee process doesn’t produce a major restructuring, the implementation of “pay for play” certainly would. In a post-amateurism landscape, the current roster of Division I schools would be reclassified into different competitive tiers where one cohort of schools pays its athletes and another does not. Non-paying mid-major schools would be relegated to a less competitive tier.
Of course, many point out that competitive separation of the major conferences from others in Division I already exists. Indeed, in the modern era of college sports since 2000, no school from outside of the original BCS conferences has finished in the top 20 of the Division I Learfield Directors’ Cup or won a national championship in prominent sports such as FBS football, men’s basketball, women’s basketball, women’s volleyball, women’s softball, and women’s gymnastics. Accordingly, divisional restructuring triggered by “pay for play” would mainly impact the perception of athletics at mid-major schools – i.e., it would make the difference between mid- and high-majors more recognizable and officially sanctioned than what is currently signaled by the Division I subdivisions. For mid-majors, the optics of being relegated to the non-paying and less prestigious tier would create additional dynamics for the management of their athletics programs.

Mid-major institutions continue INVESTING IN ATHLETICS TO MEET NCAA DIVISIONAL REQUIREMENTS and maintain their status-affirming position in Division I.

Breaking Free of the Desire for Division I Membership

Many schools consider Division I classification to be an important part of their image. Division I status allows a school to claim it is competing at the highest NCAA level and group itself in the same category as the nation’s most recognizable athletics programs. For some schools, the desire to be part of Division I is a symptom of the institutional isomorphism found in higher education – i.e., the pattern of universities pursuing status by emulating what the most prestigious institutions do. Consequently, mid-major institutions continue investing in athletics to meet NCAA divisional requirements and maintain their status-affirming position in Division I. And because of the prestige many students and alumni associate with Division I, campus leaders are also mindful of the strong pushback that would occur if funding reductions ever put Division I membership at risk. The Division I label is thus an anchor fastening many mid-major schools to their current funding structure for athletics, whether this funding structure is optimal for the campus or not.

Recent events show how mid-major schools can be compelled to prioritize the status signal of Division I membership over financial considerations. When the University of Akron endured a university-wide budget cut of $44M in 2020, faculty called attention to the challenging financial state of its athletics program and suggested withdrawal from Division I as a cost-saving measure. The response from Akron administration showed how urgently they valued their Division I status. It explained that 80% of students who were admitted to Akron but did not enroll ended up attending other Division I universities, implying that Akron’s Division I status played an important role in student recruitment – even though student enrollment dropped 34% as athletics expenditures increased 57% from 2010-2019. Akron leadership also claimed that leaving FBS would create unmanageable costs due to exit penalties and new travel requirements, but their incomplete argument didn’t contemplate the significant long-term financial benefits of full reclassification to Division II or Division III. Even in the face of extremely challenging financial circumstances, Akron’s leadership was simply unwilling to take a risk with the school’s institutional status and brand – and their own personal reputations – by leaving Division I.

Landscape changes triggered by “pay for play” would modify the dynamics of these situations. No longer would non-paying schools such as Akron garner status from basic Division I membership since they would be separated from the more prestigious and visible “pay for play” tier. However, the political risk of making financial or structural changes to athletics would be mitigated correspondingly. Stakeholders historically opposed to athletics changes would become less resistant because
the status that once accompanied Division I membership would already be diminished by the introduction of the “pay for play” tier. There would no longer be the same amount of prestige for stakeholders to protect. Accordingly, in a “pay for play” landscape, mid-major schools would be less tethered to traditional Division I investment minimums. They could think more freely and flexibly about the role and financial structure of their athletics programs. As institutional budgets and student loan debt remain significant issues, this newfound administrative latitude may help schools reconsider using large university subsidies or student fees to fund athletics.

‘Pay for Play’ Might Be Good for Mid-Majors’ Long-Term Health

Mid-major Division I schools have consistently opposed “pay for play”, based on a philosophical belief that their athletes are students first and an economic argument that their athletes receive educational benefits exceeding the commercial value being generated. Mid-majors also recognize the financial impracticality of paying athletes while athletics budgets are heavily subsidized by institutional support and student fees.

The introduction of “pay for play” into college athletics would initially be disruptive for mid-major schools – the vast majority could not afford to participate in a “pay for play” system and would be relegated from the highest level of competition. The status and prestige currently derived from basic Division I membership would also be diminished.

However, over time, the systemic changes resulting from “pay for play” have the potential to re-align mid-major college athletics in a way that better reflects the values and financial circumstances of modern higher education. Campus leaders would have newfound flexibility to think differently about how their athletics departments are organized and funded. Copycat isomorphism for mid-major schools might begin to point away from imitative Division I spending and toward a more rational assessment of athletics finances and educational priorities.

Paying athletes is the final step in the professionalization journey of college athletics. Ironically, “pay for play” might also create the clearest path for mid-major schools to withdraw from an unwinnable athletics arms race.

ENDNOTES

1 Knight Commission College Athletics Financial Information database.

2 An analysis published by Navigate Research projects that SEC schools will collect an average media rights payout of approximately $75M annually by 2026, an annual increase of nearly $25M from the average of $50.8M that was received by each school in 2020 according the Knight Commission College Athletics Financial Information database.

3 Knight Commission College Athletics Financial Information database.

4 Including the Big East in basketball, which invests at the highest level.

5 On the other hand, mid and low major schools have been nationally successful in sports such as soccer, ice hockey, and baseball.

6 The additional separation resulting from “pay for play” is especially problematic for schools who are currently transitioning into Division I or transitioning from FCS to FBS. These schools are in the process of making substantial investments to improve their competitive positioning. However, if athlete compensation becomes part of college athletics and further raises the financial bar of competing at the highest level, these schools may find themselves no closer to it despite the resources and energy they’ve invested.

7 The football-playing Division II Great Midwest Athletic Conference is largely comprised of schools in Ohio and there are more than 40 football-playing Division III schools located within driving distance in Ohio and Pennsylvania.

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