

# Madness, Inc.

How everyone is getting rich off college sports - except the players.



CHRIS  
**MURPHY**  
U.S. SENATOR FOR CONNECTICUT

## Zion, a Shoe, and “Madness”

February 20<sup>th</sup>. Cameron Indoor Stadium. Home to the Duke University basketball team and the site of the showdown between Duke and the University of North Carolina, arguably the most heated rivalry in college sports. Any given year, it is a marquee matchup. But this year is different. Because an 18-year-old phenom, who is already known by his first name alone, will be suiting up for the Blue Devils.

Zion Williamson, a kid from the Piedmont of North Carolina and the upcoming first pick in the NBA draft, has turned this game into a must-see event. 4.3 million people will tune in, making it the most-viewed weeknight college basketball game in ESPN history.<sup>i</sup> On game day, tickets run at \$4,000 each, easily beating the get-in price for the Super Bowl that occurred just weeks before. Spike Lee is in attendance. President Barack Obama sits courtside.

Thirty-four seconds into the game, and the attraction is gone. Williamson plants his left foot to separate from a defender, rips open his shoe, and tumbles onto the floor clutching his knee. Disappointment and anger sweep through Cameron and across the internet. The sneakers are deemed a public health hazard. Its maker, Nike, finishes the next day’s trading down 1.1 percent – the rough equivalent of a \$1.1 billion loss.<sup>ii</sup> In less than a minute, a teenager moves an industry.

Williamson has since gone on to headline this past month’s NCAA Basketball Championship, commonly known as “March Madness,” which has become an American institution. Annually, it captivates millions across the country as teams compete over three action-packed weekends full of unforgettable moments. To no surprise, it is one of the most viewed sporting events in the world, with more than 100 million viewers glued to their screens this year.<sup>iii</sup> With those viewers is the opportunity to make money – lots and lots of money. The NCAA Tournament earns more than \$1 billion annually in media revenue, which is nearly as much as the entire NFL Playoffs, Super Bowl included.<sup>iv</sup>

Advertisers rightfully fall over themselves to get a piece of the action. The NCAA’s published corporate “champions” and “partners” range from Coca-Cola to Google and Geico, with 97 total corporate sponsors committed to this year’s edition of March Madness. In turn, these companies gain exclusive rights to the NCAA brand in advertising that exists everywhere throughout the month-long tournament.<sup>v</sup> Those rights pay dividends, as each commercial or logo embedded

in the programming reaches millions, and justifies the \$1 million price tag on a 30-second commercial spot.<sup>vi</sup> Everything that can be branded has been. That iconic moment where athletes climb a ladder as they cut down the nets to celebrate a berth in the Final Four or the championship? Even the ladder is sponsored.



**Annual NCAA Tournament viewers**



**NCAA Tournament media revenue**

Williamson's shoe is a symbol of what college sports has become, and what March Madness embodies. Big-time college sports is a business. Everything the student-athletes do affects the bottom lines for institutions and corporations alike. Everything they wear brings profit to companies that have paid to turn student-athletes into human billboards. For the brief time they are on college campuses, they are a valuable resource for the adults around them.

The ever-growing commercialism of college sports has made a lot of money for a lot of people. Yet, as the athletes provide the product that has fueled this industry, they see a fraction of the revenue they generate, while continuing to face severe penalties for failing to abide by a labyrinth of rules that restrict any meaningful participation in that industry. Meanwhile, tax-exempt non-profit institutions of higher education condone and endorse broadcasting and apparel contracts that surpass \$250 million, coaches' salaries that beat their professional equivalents, and lavish spending on facilities that amount to amusement parks aimed at seducing the nation's top teenagers in their sport.

This report seeks to shine a light on the size, scope, and nature of the college sports industrial complex as well as examine the ways participating institutions move money around the student-athletes who provide the labor and their bodies for other people's profits.

## The College Sports Industrial Complex

Money swirls all around college sports. Whether from corporate sponsorships, ticket sales, television contracts, apparel deals, merchandise sales, and increasing student fees, the revenue streams for college athletics programs are varied and robust. Last year, the Department of Education reported \$14 billion in total revenue collected by college sports programs, up from \$4 billion in 2003.<sup>vii</sup> That haul beats every professional sports league in the world, except for the NFL.<sup>viii</sup> Add the revenue that broadcasters, corporate sponsors, and apparel companies earn, and it is clear that college sports is awash with money. Meanwhile, a fraction of that money goes to the student-athletes. So how did we get here? And where does all the money go?



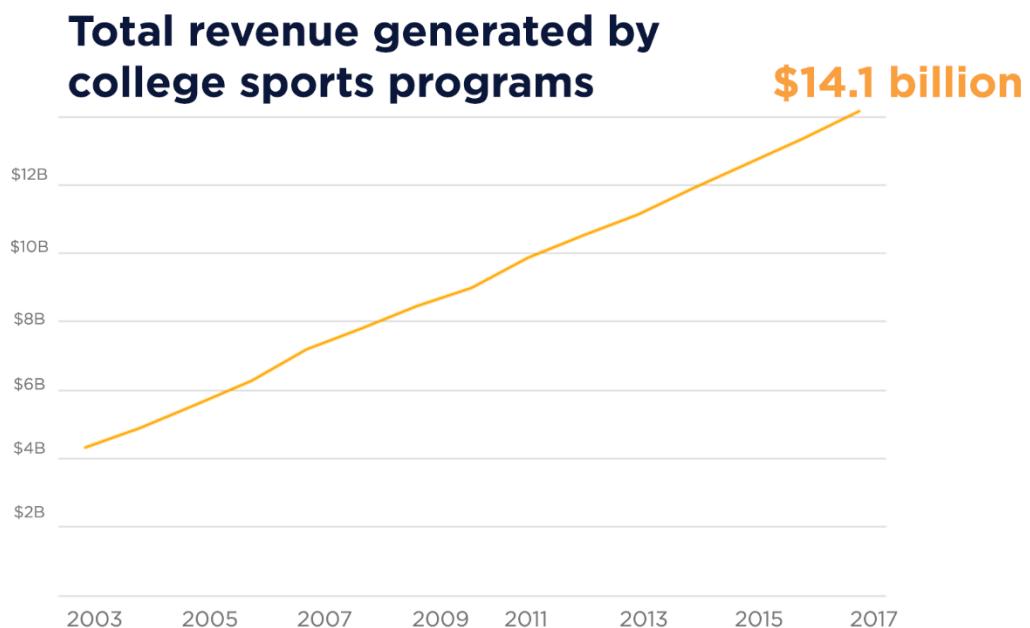
**Total revenue  
collected by  
college sports  
programs**

### How Did We Get Here?

College sports has been a fixture of American culture for more than a century, for good reason. Saturday game days across college campuses are special. The cadence of marching bands in autumn afternoons and the congregations of color-coordinated fans – a mix of students, alumni, and lifelong fans – is hard not to enjoy. So much of college sports has become a way to connect with each other, especially in sharing pride for a college we attended or more often the state it represents. That's a good thing.

While our collective support for college sports has remained a constant, the nature and size of the industry has dramatically changed in recent decades. That change is thanks to the relationship between the college sports we love so much and the opportunity for people to make money off that devotion. Commercialism has always been embedded in college athletics, and the tension between the

business-side and the amateurism of the industry is largely why the National Collegiate Athletic Association (NCAA) formed in the early 1900s, mainly to preserve “amateurism” and prevent athletes from receiving compensation.<sup>ix</sup> That tension has been a consistent feature of college sports ever since, and has grown with the revenues that college sports programs take in annually, which have rapidly increased in the past 15 years.



College sports has become a money-making – and spending – machine. Total revenues have more than tripled since 2003. That growth has been fueled by a select group of sports and programs which have collectively cashed in on a seemingly insatiable demand, driven by broadcasting deals that bring college sports to nearly every screen.

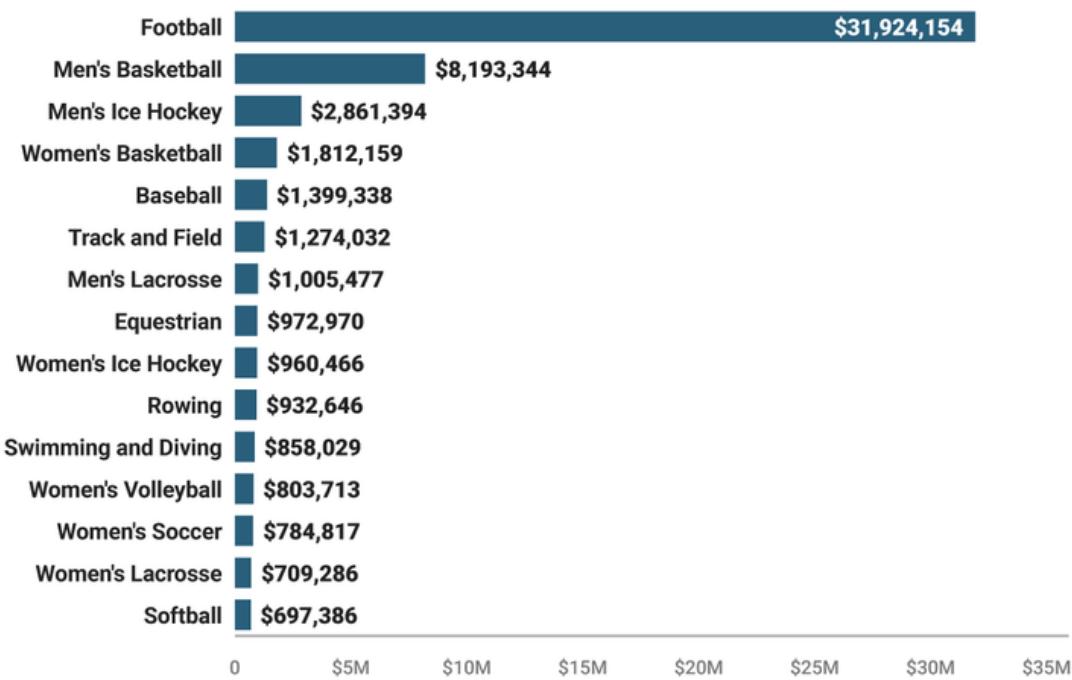
College football, and to a lesser extent basketball, dominates the industry. The average FBS (Football Bowl Subdivision) school, which is any Division I school

**Just 3 percent of schools competing in the NCAA bring in 54 percent of all the money. They do that primarily by plowing money into their massive football programs.**

with a football team, makes more revenue from football, \$31.9 million each year, than it does on the next 35 sports combined, \$31.7 million.<sup>x</sup>

Within football and basketball, an exclusive group of colleges bring in most of the money. The Power Five conferences (ACC, SEC, Big Ten, Big 12, Pac-12) include 65 of the most successful schools in college sports, both athletically and financially. Those programs brought in more than \$7.6 billion in revenue last year. Out of the 2,078 institutions that have athletic programs, those 65 schools generated 54 percent of all college sports revenue. Essentially, 3 percent of all college programs bring in more than half of all the money, and they do that primarily by plowing money into their massive football programs.<sup>xi</sup>

## NCAA AVERAGE REVENUE BY SPORT



SOURCE: Department of Education based on average revenue from 127 FBS schools

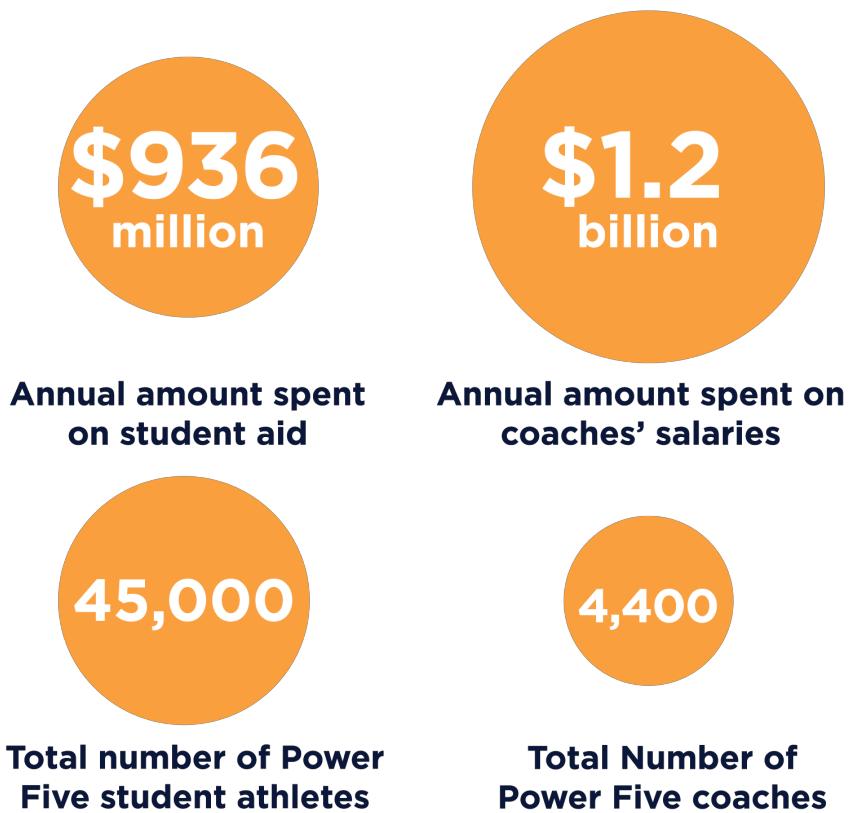
Even within those Power Five conferences, a few reign supreme in their ability to rake in money. Last year, 36 programs reported more than \$100 million in revenues, with 11 reporting more than \$150 million and two clearing \$200 million (The University of Texas at Austin and The Ohio State University).<sup>xii</sup> Not surprisingly, the list of largest athletic budgets annually maps almost directly onto that year's final college football rankings. Big money programs not only have a stranglehold on the industry's profitability, but the accolades and attention that industry brings. That success, in turn, fuels the desire for aspiring

programs to go into debt for the small chance to earn status within this increasingly exclusive group. In fact, as few as 12 athletic departments make a profit, with many more requiring their institutions or the students themselves to subsidize their losses.

As revenues have poured into college programs, athletic departments have spent them within their programs, often on staff salaries and facilities. The constant and urgent need to compete, either between big-time programs in the Power Five conferences or smaller programs hoping to make the jump onto the national stage, fuels an “arms race” that inflates staff salaries and rationalizes lavish facilities, among other spending meant to get the most out of their student-athletes rather than supporting their futures. The result is an industry with more money than it knows what to do with, and the need to grow revenues at all costs, regardless of what is in the best interests of the student-athletes who make college sports worth watching.

## How Institutions Spend Around Student-Athletes

How much of all that money eventually gets to the student-athletes versus the adults and institutions around them?



Let's start with student aid. Scholarships provide the entirety of direct compensation student-athletes currently receive for their effort. According to the NCAA, Divisions I and II schools, which are the only programs that award scholarships, provide approximately \$2.9 billion athletics scholarships annually to more than 150,000 student-athletes.<sup>xiii</sup> Along with the direct benefit of a college scholarship, student-athletes often receive educational grants that help them pay for the non-tuition costs of college, on top of tutoring and other academic support services. In total, these benefits are substantial and have the potential to dramatically improve a student-athlete's life well beyond their time competing.

However, student aid alone does not provide a clear picture on the considerable imbalance between the revenue student-athletes generate and how that money swirls around them.

Consider the budgets of the top revenue-producing programs in the country. Among the 65 Power Five conference programs, only 12 percent of all revenue goes toward student-athlete scholarships, across all sports. By comparison, 16 percent goes toward coaches' salaries.<sup>xiv</sup> Effectively, that means the 4,400 head and assistant coaches collectively receive more of the revenue than the nearly 45,000 student-athletes who generate that revenue. In other words, it would take a dozen student-athletes pooling together all of their scholarship money to equal the average salary of just one of their coaches.

**If a budget is a reflection of an institution's values, these programs simply believe that coaches and even edifices are far more valuable than the student-athletes who provide all the labor.**

Now consider the budgets of the top programs within those Power Five conferences. According to a USA Today analysis of the schools with the 10 largest athletic department budgets, those programs spent 3.5 times as much on coaches' salaries than on scholarships.<sup>xv</sup> Big programs often invest many times more on facilities, building athletic palaces and amusement park amenities that clear \$50 million in construction costs. If a budget is a reflection of an

institution's values, these programs simply believe that coaches and even edifices are far more valuable than the student-athletes who provide all the labor.

## **Professionally Paid Coaches**

For those in positions of power over student-athletes, the college sports industry has become increasingly lucrative. The median salary for an athletic director at a Division I institution is over \$500,000 a year. More than 100 coaches at Division I schools earn over \$1 million per year, with the top 25 football coaches earning an average of \$5.2 million annually and the top 25 basketball coaches earning \$3.2 million annually.<sup>xvi</sup> In fact, the highest paid public employees in 41 out of 50 states are football or basketball coaches.

At the extremes, the adults that hold the most power over student-athletes earn well beyond the collective value of their players' scholarships. In 2017, Nick Saban, the head football coach at the University of Alabama, made \$11 million, more than nearly every coach in American sports. Similarly, John Calipari, the head basketball coach at the University of Kentucky, made more than \$9 million.<sup>xvii</sup> These salaries only represent one form of compensation for coaches. On top of extravagant salaries, coaches receive bonuses, endorsements, country-club memberships, the occasional private plane, and in some cases a negotiated percentage of ticket receipts.<sup>xviii</sup>

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**The highest paid public employees in 41 out of 50 states are coaches.**

To an extent, these salaries make sense. College coaches have significant influence over the success of a program. They drive which recruits sign with their schools and the team's performance on the field. The best coaches can build entire programs and elevate those that already elite.

However, the shocking size of coaches' salaries has more to do with the growth of the industry than it does with winning. Since 1984, the average compensation

for head football coaches at public universities has grown 750 percent (adjusted for inflation).<sup>xxix</sup> That growth has nothing to do with wins. Consider the final salary of Paul Bear Bryant, the legendary head coach of the University of Alabama from 1958-82, who equaled current coach Saban's record of 6 national championships. In 1982, Bryant made \$450,000 (\$1.1 million, adjusted for inflation). For equal achievement, his successor earns exactly ten times as much.<sup>xx</sup> Meanwhile, the players who made that winning possible have seen little change in the benefits they receive.

## Lavish Facilities

When programs aren't spending on their coaches, they often invest in facilities that beat even the most impressive professional counterparts. For instance, Clemson recently built an exclusive \$55 million complex for its football team that amounts to a player's theme park, with a miniature golf course, sand volleyball courts, laser tag, bowling lanes, and a movie theater – and it's not alone. Down the road, the University of South Carolina includes TV and video game areas, a 15-seat movie theater with reclining seats and surround sound, a video arcade room, and a sound studio for athletes to record music. Notably, during the University of Tennessee's dedication for their own extravagant facilities, its athletic director proudly announced to wealthy donors that professional football scouts "have told me this is the best facility, college or professional, that they've ever seen."<sup>xxi</sup>



Between 2004 and 2014, Power Five conferences nearly doubled facilities spending, even after adjusting for inflation. What has amounted to shrine-building aimed at seducing teenagers will continue to escalate, with several programs slated for projects that exceed \$200 million over the next decade. <sup>xxii</sup>

The escalating “arms race” of personnel, facilities, and other amenities has pushed most athletic departments into spending far more than they should or can. An athletic program designed to sell tickets and media rights for public entertainment must invest more than one designed simply to allow their students to compete with other teams for the love of the game. An athletic program fielding a football team must invest more than one that only funds a basketball team. And a program striving to enter one of the Power Five conferences is driven to hire huge coaching staffs with multi-million-dollar salaries and build lavish, state-of-the-art athletic competition, training and support facilities to recruit and retain elite players, and fly athletes around the country to compete in conference tournaments.

From the top down, programs are incentivized to pour more and more money into programs regardless of how they increasingly conflict with the missions of their affiliated universities, or whether that money truly helps provide a real future for the student-athletes that earn it.

The ability to pour revenue into extraordinary salaries or facilities comes at the expense of student-athletes. Programs will spend as much as they can to compete. When they do not have to share revenue in a fair way with the athletes, it frees them up to dump that money into everything else.

## **College Sports: A Corporate Cash Cow**

The money all around college sports has particularly profited the corporate interests that find every way imaginable to market student-athletes. Those same corporations have directly fueled the massive growth of the industry, while making sure their margins expand off the backs of “amateurs.”

Again, Zion Williamson offers a perfect example, in this case how corporations exploit the unique and immoral amateurism of college sports. The phenomenon of this 18-year-old is arguably as much about his ability as the way corporations have sought to profit off him. Before Williamson ever played a college game, he was a sensation. A whole cottage industry of media sprung up, tracking every high school dunk and highlight. He headlined All-American games sponsored by McDonald’s and Jordan Brand. ESPN televised his decision to sign with Duke. Drake even sported his high school jersey.

After joining Duke, already one of the most valuable programs in college sports, corporations jumped even further onto the Zion Williamson cash train. Beyond

his notorious effect on Nike's stock price, ESPN covered his sensation on a nightly basis. Even while he was out following his injury against North Carolina, ESPN decided to keep a camera on him throughout Duke games, largely showing him sitting on the bench clapping for his teammates. Meanwhile, CBS and Turner, who have broadcasting rights to the NCAA tournament, have marketed their product by heavily featuring Williamson.

While Williamson is by definition unique, he exemplifies the many ways companies, particularly broadcasting and apparel companies, profit off student-athletes. He also represents the nature of risk and benefit associated with college sports. Had Williamson suffered a severe injury when his shoe malfunctioned, the companies all around him would have kept the millions they already made, while his career could have been gone without earning a single paycheck.

Regardless of benefit to the student-athletes, broadcast companies have squeezed profits out of them. Following a landmark 1984 Supreme Court decision that gave colleges the ability to sell broadcasting rights to the highest bidder, networks doubled down on college sports, football in particular. The biggest companies often negotiate directly with the Power Five conferences to secure substantial broadcast deals. In 2016, the Big Ten conference signed a six-year broadcast rights deal with Fox, ESPN, and CBS worth \$2.64 billion.<sup>xxiii</sup> That contract mirrored similar deals that the other Power Five conferences have made with broadcasters, mainly ESPN, to launch their own channels. In some cases, even individual programs have started exclusive channels. In 2011, the University of Texas signed a deal with ESPN worth \$300 million over 20 years that created the Longhorn Network, which delivers 24-hour content of all things Texas sports.<sup>xxiv</sup>

Broadcasting companies know they will make their money back and then some. For instance, while CBS and Turner paid the NCAA more than \$1 billion for the rights to March Madness, advertising revenues netted them nearly \$250 million in profit. Every broadcast deal, whether with the NCAA, conferences or individual programs, is expected to net broadcasters like ESPN substantial profits over the life of the contracts. With most of these contracts extending for 20 or even 30 years, the constant flow of broadcasting money will only grow moving forward, ensuring more money for everyone except the athletes.

With so many cameras pointed at student-athletes, apparel companies have found profits in simply outfitting them. For instance, when 100 million people tune into March Madness, every Nike swoosh or Adidas trefoil emblazoned on

the jersey means direct and efficient advertising. It is no wonder why either Nike, Adidas, or Under Armour have exclusive rights to outfit 97 percent of all football and basketball programs.<sup>xxv</sup> In the business, schools have become defined by which apparel company suits them. Michigan is a Nike school, having signed a \$173.8 million contract in 2016. The University of California at Los Angeles? It is a very happy Under Armour school, having signed a record-setting deal worth \$280 million. Right behind them, The Ohio State University signed a 15-year, \$252 million deal with Nike that included a \$20 million cash signing bonus.<sup>xxvi</sup>

Perhaps the most shocking apparel contract so far, though, was the University of Louisville's deal with Adidas. After negotiating a new deal worth \$160 million in 2017, news came out that the previous contract with the apparel company paid out 98 percent of all cash involved to one person: the men's basketball coach, Rick Pitino. The athletic director had lied, promising the money would go to student-athletes. By October of that year, both Pitino and the athletic director would lose their jobs. They had been implicated in a scheme to illegally pay high school recruits so they would choose to play for Louisville. The men who helped them do it? Adidas executives.<sup>xxvii</sup>

Whether it is giant broadcast companies or multi-national apparel corporations, the private sector has efficiently found ways to milk profits out of student-athletes. From what they wear, to where you can watch them and what advertisements come across your screen, student-athletes not only serve the financial interests of their colleges, but by virtue of massive contracts, they also serve the corporations that see them entirely as a product. As always in the current system, the student-athletes end up lining other people's pockets.

## Conclusion

The NCAA and collegiate sports more broadly no longer primarily benefit the players. The current system does more to advance the financial interests of broadcasters, apparel companies, and athletic departments than it does for the student-athletes who provide the product from which everyone else profits. The NCAA must start putting the players first—that starts with finding a way to fairly compensate them for their labor.

Without change, the exploitation inherent in our current system will only get worse. The industry will continue to grow. Big-time athletic programs will

continue to find ways to squeeze more money out of their product. They will continue spending that money around the players instead of meaningfully on them. The arms race will continue. The extravagant coaching contracts and facilities aimed at enticing teenagers will continue. The world's largest companies will continue to profit of student-athletes' names and bodies.

College sports is an American tradition because of the student-athletes. We collectively tune in to see them compete. We fill out brackets and fill up stadiums because the effort and devotion student athletes put into their sport is special. But, these student athletes deserve more than our fanhood. They deserve to receive fair compensation for their work. They deserve a system that guarantees a meaningful education as well as financial security. They deserve a system that shows real concern for their health and well-being, both during and well after their time on the field. Simply, they deserve a system that respects their contribution and dedication. That means a new system. That means different rules. That means change. It won't come easy and the solutions won't be simple. But, if the NCAA can create a complex system that largely drives money into adults' pockets, we can create a system that does better – for the student-athletes today and all those to come after. It's about time.

## Preview of Future Reports

This is the first in a series of reports that will consider a range of problems with college athletics. Subsequent reports will examine the nature of amateurism, how programs fail to provide a full education to their student-athletes, the long-term health consequences that student-athletes face and the lack of comprehensive health care afforded to them, and a look forward at how we can address the litany of issues within this industry.

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