Delivered via Email
July 25, 2024

Jere Morehead, Chair
NCAA Division I Board of Directors

Dear President Morehead,

We are writing to urge the NCAA Division I Board of Directors to reconsider one aspect of its internal payment plan to fund damages for the proposed *House* settlement. Specifically, the Knight Commission on Intercollegiate Athletics requests that the Division I Board protect the Academic Performance Fund incentives in its proposed plan to pay the *House* settlement damages.

It is our understanding that, at any point during the payment plan period, the Division I Board, in conjunction with the NCAA Board of Governors, has the authority to modify the NCAA's internal plan to fund the annual *House* damages payments.

In view of that authority and responsibility, the Knight Commission recommends alternative approaches to funding the $10 million in payments now scheduled to come annually from a reduction of the academic incentive awards.

Background

In 2016, the NCAA Board made an historic values-based decision to reward institutions for the academic success of college athletes by creating the Academic Performance Fund. These financial incentives were scheduled to increase over time so that by 2032, academic success incentives would equal the men's basketball performance incentives. Still, parity remains many years off—at present, the NCAA annually awards $120 million less in academic incentives than it distributes in incentives for at-large selections and victories in the Division I men's basketball tournament. Unfortunately, that continuing imbalance only bolsters the dominant narrative that education, degree completion and academic success are at best a secondary priority for athletics programs and for the NCAA.

Yet even with the disproportionate awards provided for athletic success, the values-based academic incentives are working – and deserve to be expanded as planned. The academic incentive benchmarks were originally selected to reward 67 percent of institutions for academic success. Today, more than 80 percent of institutions are earning academic awards. Moreover, in 2023, Division I Graduation Success Rates were 91 percent, an all-time high.

Supporting college athletes' academic experience and success is a foundational principle in the NCAA's Constitution and a core obligation that should not be tempered or placed at the end of the queue behind other priorities. Furthermore, the Academic Performance Fund is the NCAA's only revenue distribution incentive that now explicitly supports academic achievement.

It is hard to think of a more critical time to not only preserve but also continue to fortify incentives for academic success in Division I sports with college athlete transfer rates at an all-time high, and in light of the recent court ruling in *Johnson v. NCAA* that questions the academic nexus of college sports.

Alternative approaches and rationale

The Commission recommends two financially prudent and equitable alternatives to fund this portion of the damages payment, estimated at $10 million annually, without drawing down the academic success awards. The attached document illustrates our recommendations. These alternatives would also fix two outdated financial practices established decades before the College Football Playoff (CFP) became a national championship and a significant revenue source for FBS institutions, separate from the NCAA.

First, despite receiving zero revenue from the CFP or FBS football generally, the NCAA remarkably still pays out tens of millions of dollars each year to cover the national costs for the sport of FBS football, including the sport's legal and catastrophic insurance costs. As FBS conferences receive additional autonomy to operate FBS football, those conferences can use CFP revenues to fund services that the NCAA has covered in the past. Second, 30 years ago, the formula for the NCAA grant-in-aid distributions was designed to ensure schools with FBS football received a greater portion of this fund due to the financial commitment of providing 85 football scholarships. But with the creation of the independent CFP distribution just for FBS schools, this portion of the plan is plainly overdue for an overhaul.

Moreover, by 2027, FBS conferences and their institutions will share more than $1.4 billion annually from the CFP, with more than 90 percent shared exclusively among just 67 schools in the Power 4 conferences. The CFP distributions will soon outpace *all* NCAA distributions from March Madness and every other NCAA source.

Addressing either or both of these outdated funding provisions—even in part—will create more than enough funding necessary to protect the academic incentives.

Closing

We understand there may be hesitancy in revisiting an agreed-upon payment plan. However, the NCAA now has an opportunity to reaffirm the value of academic success and what it stands for—at a time when Division I is unfortunately marred by claims of a growing transactional relationship between athletes and their schools, litigation and legislation aimed at the growing commercial excesses of high-level athletic programs, and the recent decision in *Johnson v. NCAA* that highlights an alleged disconnect between athletics and education.

On behalf of the Knight Commission, we would welcome a meeting with the Division I Board and/or would be happy to provide additional information as requested.

Sincerely,

Pamela J. Bernard

Pam Bernard, Co-Chair

Len Elmore, Co-Chair

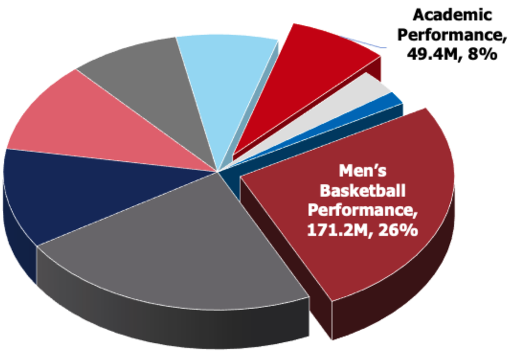
cc: Robert Davies, Committee on Academics Chair
Charlie Baker, NCAA President
Select NCAA staff members

Attachment

Attachment

KNIGHT COMMISSION RECOMMENDATIONS
TO PROTECT ACADEMIC PERFORMANCE INCENTIVES

The NCAA should protect the Academic Performance Fund incentives in its proposed plan to pay the *House v. NCAA* settlement damages. This fund rewards programs whose athletes meet graduation success benchmarks. The settlement damages can be funded through other approaches that do not negatively impact the NCAA's constitutional commitment to the academic achievement of college athletes.



Action Needed

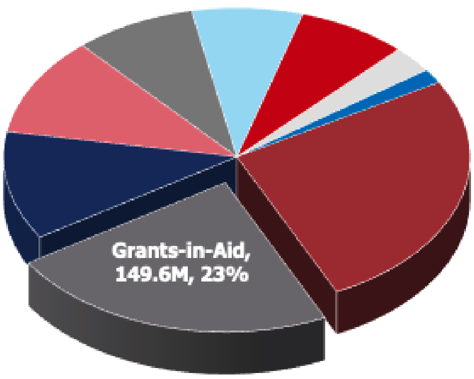
Eliminate the proposed 20% reduction in Academic Performance incentives, estimated at $10 million annually.

Background

- Incentives adopted in 2016 as historic move to reward graduation success of athletes.
- Phased-in, beginning in 2019-20, to grow incentives to ultimately equal Men's Basketball Performance incentives.
- Since academic incentives were implemented, Division I graduation success rates continued to hit record highs.

Option 1: Replace the planned reductions of $10 million annually with savings generated by the NCAA eliminating coverage of the national expenses for **the sport of FBS football**, such as catastrophic insurance, enforcement services, and legal services. Beginning in 2027, FBS football conferences will share $1.4 billion annually from the College Football Playoff (CFP), nearly doubling their current annual CFP distribution. Currently, the NCAA receives $0 in funding from the sport of FBS football.

Option 2: Adjust the skewed 30-year old NCAA revenue distribution formula (explained below) for rewarding scholarships to generate the needed replacement funding.



Grant-in-Aid (Scholarships) Fund

- In 1990, the NCAA designed a formula to provide more money to FBS football programs by creating an escalating multiplier based on the number of scholarships. At that time, there was no national championship for FBS football. NCAA rules allow 85 FBS football scholarships, enabling these programs to qualify for the most generous multiplier:
  - **100 - 150 scholarships = 10 x** the distribution rate per scholarship
  - **150+ scholarships = 20 x** the distribution rate per scholarship
- The formula remained unchanged when the CFP national championship and its exclusive and lucrative revenue distribution for FBS football programs began in 2015.
- Given this history, the NCAA could eliminate FBS football scholarship factors from the formula to generate $60 million annually for reallocation; or, modify the escalating multiplier to generate $10 million annually by shifting the 20x multiplier threshold to programs with 250+ scholarships.