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COLLEGE FOOTBALL

California Will Allow College Athletes to Earn Endorsement Money. Here's How It Could Change College Sports.

Will other states follow and how will the NCAA respond? The answers will ultimately determine the impact of this new law.



Cal players run on to the field prior to a game. PHOTO: EZRA SHAW/GETTY IMAGES

By Brian Costa and Laine Higgins

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The new California law requiring schools in the state to allow their athletes to earn endorsement money isn't scheduled to take effect until 2023. But already, it is clear that one state's decision to give college athletes the ability to profit from their name, image or likeness will have far-reaching effects on the economics of college sports.

The impact will extend from campuses to other U.S. statehouses. And it could alter both the flow of talent into top athletics programs and the stream of marketing revenue into college sports.

Here are some immediate questions that will ultimately determine the impact of the law, signed by Gov. Gavin Newsom on Monday.

1. Will other states follow?

Elected officials in several other states are already trying. A New York state senator has proposed legislation that goes even further, requiring colleges to pay athletes directly. A pair of Colorado state senators are planning to introduce a similar bill there. A proposed South Carolina bill—set to be filed in January—is similar to California's.

There has been talk of such measures at the state level before, but backers are hoping the California law will help them gain more support. “This will be a building block that we can use in the state of South Carolina to make our case,” said South Carolina state senator Marlon Kimpson.

Kimpson, a Democrat, filed a bill in 2014 requiring Clemson and the University of South Carolina to pay its football and basketball players. The legislation effectively died without getting to a vote. If the California law proves to put South Carolina schools at a competitive disadvantage, Kimpson said he is hopeful that would spur more openness to a similar measure.

2. How will the NCAA respond?

The NCAA's board of governors, in a letter to Newsom before he signed the bill, threatened to ban California athletes from its competitions if the law went into effect. The group cited the “unfair recruiting advantage” it would create.

“I think that would be enough of a disadvantage to wipe out any advantage that we might take,” said Pepperdine athletic director Steve Potts. “I just don't want to put our student athletes in a position where they're not allowed to compete at the highest level.”

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But doing so would remove some of the most prominent NCAA member institutions from its championships, among them UCLA, USC, Cal and Stanford. And such a stance could prove difficult to uphold if enough other states were to enact similar legislation.

An NCAA ban for California schools could trigger an antitrust lawsuit. Likewise, the NCAA—which called the bill “unconstitutional” in its letter to Newsom—could attempt through legal action to overturn or at least delay the implementation of the law.

3. How significant of a recruiting advantage would California schools gain?

In the highest-profile sports, at the highest-profile schools, the advantage would be obvious. Take UCLA, which has a storied history and an iconic brand but struggles to attract top-tier football and basketball recruits. How differently would a five-star player view the Bruins knowing his potential endorsement income in Los Angeles?



UCLA forward Cody Riley, right, grabs a rebound away from Southern California guard Kevin Porter Jr. during a game. PHOTO: MARK J. TERRILL/ASSOCIATED PRESS

“Kids are going to go where the money is,” said Tom Luginbill, ESPN’s national football recruiting director. “Yes, there are a select group of programs that can recruit solely to the development of an NFL player, but it doesn’t solve any financial problems, at least not during college.”

That is precisely why Luginbill believes that one way or another, schools from the rest of the country will end up being able to offer athletes the same rules for off-the-field earning ability. Competing coaches will demand it.

“No way Nick Saban is going to go out on the recruiting trail and feel like they’re at a disadvantage,” Luginbill said.

4. Which athletes would benefit most?

Not all college athletes are expected to reap substantial financial benefits from marketing their name, image and likeness. According to Brenton Sullivan, co-founder and CEO of college sports recruiting platform FieldLevel, the law will most benefit athletes in revenue generating sports, such as football and men’s basketball, and high profile athletes with established social media followings coming out of high school.

“[For] top athletes I think that there would be a recruiting advantage,” said Sullivan. “But for everyone else, there’s a lot of unknowns here.”

Sullivan predicted that the law may also give athletes who break out later in their college careers an added incentive to transfer to California universities. Doing so would allow them to capitalize on their newfound stardom before their eligibility runs out.

5. How will all this alter the competitive and financial landscape in college sports?

David Carter, a USC sports business professor, said the ability of student-athletes to monetize their name and image—both in California and across the U.S.—is probably inevitable. When that becomes the norm in college sports, he said it could very well widen the already considerable gap between the haves and the have-nots.

Already, the 65 schools in the Power Five conferences earn dramatically more media and sponsorship revenue than the rest, while competing in facilities that rival those seen in professional sports.

“Now,” Carter said, “you’ll see a further polarization of these athletes being able to migrate to schools in these markets where they can further build their own brands. People are saying it creates a competitive advantage. What it does is it just extends the existing competitive advantage. That’s not inconsequential if you’re a midmarket school.”

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