



# Profitability as a Knock-on Benefit to Collegiate-Athlete Brand Compensation

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**Abstract:** For the first time in the history of collegiate sports, college athletes can be compensated without the risk of losing their status as amateurs. The Fair Pay to Play act sparked a revolution of state laws allowing college athletes to be compensated for using their Name, Image, and Likeness (NIL). Agency representation, another allowance that has historically been restricted from college athletes, has been granted by these new laws. With the governance of intercollegiate play removed from the authority of the National Collegiate Athlete Association (NCAA) and placed in the hands of the individual states in which universities reside, the respective universities are now in a place to profit as knock-on benefactors. NIL brings corporate relationships closer to the University and, in some states, allows boosters to serve in the capacity of sponsors. Using the school's intellectual property – logo, brand, mascot, etc. – cannot financially benefit the collegiate athlete but can serve as another opportunity for universities to profit from the existence of the NIL legislature. This research explores the impact NIL laws have had on the financial performance of the Universities in the Southeastern Conference (SEC) West Division. The correlational study analyzes the profitability of universities before and after the NIL legislature passed to determine if there is a correlating pattern. The study leverages key performance indicators to describe the financial performance of seven universities across five states. Although the metrics suggest a correlation pattern before and after NIL was passed, it does not find significant variation between the profitability metrics or the components that measure profitability.

**Keywords:** Name, Image, Likeness, NIL, Collegiate Athlete, Financial performance, Profitability

## I. INTRODUCTION

Historically, NCAA rules have prohibited student-athletes from being compensated. This was initially implemented to protect their amateur status. [38]. However, in June 2021, the NCAA announced that players would be able to benefit from the use of their Name, Image, and Likeness (NIL) [50]. In response, an interim ruling was declared in the state of California when they passed a landmark Fair Pay to Play Act (FPTPA), making it impermissible to disallow students the rights to their brand.

Additionally, the ruling permits student-athletes to hire agency representation. The agreements in these contracts

allowed the use of their NIL and made it unlawful for student-athletes to be punished for participating in either activity [4]. Many other states followed suit, passing their own "NIL bills" [28]. This created a first-time scenario wherein the student-athlete can participate in the revenue earnings of the multi-million-dollar industry of collegiate athletics [49].

This new opportunity for the student-athlete births knock-on benefits for the institution that they attend. Federal and state tax law has generally exempted most parties in collegiate athletics because higher education is their primary purpose for existence [20]. Athletic scholarships used for tuition, fees, and educational material for student-athletes are not treated as taxable income [4]. Likewise, the NCAA, universities, and university athletic departments have benefited from tax exemption because their primary benefit is the provision of education and the fostering of amateur sports competitions [20]. The college athlete's use of intellectual property - like university logos, mascots, and colors - is often prohibited under NIL bills [15], 2021; [16]; [33]; [34]; [35], but the endorsements bring an additional opportunity for universities to profit from authorized brand use.

The problem that this research will focus on is filling the gap in the literature by assessing the financial performance of universities in the NCAA Southeastern Conference (SEC) West Divisions universities since the onset of NIL regulations. Much of the research around NIL impact is related to student-athlete advocacy [47], the transfer of power from the NCAA to the student-athlete [32], racial disparities in collegiate athletics [2]; [4], legal ramifications [17]; [37] and the threats to amateurism [7]; [20]; [21]; [38]. This research aims to add to the dearth of research on the impact of the laws and fill the gap related to the post-NIL financial performance of the universities within the SEC West division.

The research question is as follows:

RQ1: How has the financial performance of the SEC West Universities changed since the introduction of NIL regulations?

This study will serve to inform current and prospective endorsers of university athletics about the effects that their sponsorships have on the lives and finances of student-athletes but also on the universities they attend. Additionally, as the NCAA further adjusts its stance on NIL regulations, it shines a light on some of the impacts on the collegiate athletic regulatory environment. Lastly, it better defines the true players and beneficiaries in the marketplace of collegiate athletics.

This study will look to test the following hypothesis:

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H<sub>1</sub> SEC West schools have not experienced better financial performance since the introduction of NIL regulations

## II. ASSUMPTIONS

The financial statements of public universities – which all SEC West schools are – are public information provided in a university's annual report. Transparency and granularity about an athletic department's financial performance This study assumes that all reported statements are a complete and accurate representation of the University's financial performance. The study will not look to determine or claim causality but merely to analyze and discover correlation.

### A. Definitions

Fair Pay to Play Act (FPTPA) – also referred to as the "NIL bill," refers to California Senate Bill 26 (S.B. 26) that allows student-athletes to participate in endorsement deals and sponsorships – effectively benefiting from their NIL – without the risk of losing eligibility to compete in college sports [23].

Name, Image, Likeness (NIL) – name, image, and likeness [50]

National Collegiate Athletic Association (NCAA) – the regulatory body for collegiate athletic programs that manage championships, manage support programs for student-athletes and govern by establishing and monitoring the rules and policies [29]

NIL Athlete – a collegiate student-athlete that has solidified individual sponsorship through a corporate sponsor for the use of his or her name, image, or likeness

Student-athlete – a student enrolled in postsecondary education while also participating in that school's sanctioned athletic program [20].

## III. LITERATURE REVIEW

The review of literature serves to anchor this research around the profitability of universities and draws an inference on any correlation to NIL. The related literature surrounds the nature of Name, Image, Likeness (NIL) and the origins of the concept of compensating student-athletes. It further expands into the history of the NCAA as a governing body and the evolution of the role the organization plays in collegiate athletics. It touches on the legal ramifications of paying students, the impact to revenue generation, and the racial implications of withholding compensation. It specifically looks into the individual state laws that govern the universities in scope of this research – the Southeastern Conference (SEC) West Division.

### A. What is NIL, and why is it important?

The NCAA recently decided to allow student-athletes to be paid for the use of their name, image, and likeness, which has raised discussion around the ethical, financial, and legal ramifications [47]. Murphy (2021) asserts that the NCAA regulations banned direct compensation to athletes from the school for their NIL rights. The related guidelines had not yet been fleshed out at the time of publishing [28]. This was a result of legislation passed in California in 2019 that effectively prohibited schools from applying punitive action

to students for accepting endorsement deals [28]. The NCAA referred to the impending laws as an existential threat to collegiate athletics [28]. According to Bunner (2021), the NCAA initially pushed back on the acceptance of the NIL ruling, threatening to ban colleges for allowing students to be paid for their NIL, but opted to allow it as long as athletes are not paid for their performance [4]. Thereafter, the board agreed to adjust its NIL guidelines at all divisional levels to accommodate the overarching state laws [28]. Florida passed a similar law soon after with an effective date of July 1, 2021, which pressured the NCAA to make a quick decision on how they intended to deal with the impending legislature [28].

The coming months brought several deals to Capitol Hill to solicit broader reform on behalf of the NCAA and antitrust exemptions that protect the NCAA from lawsuits in the future [28]. The most urgent resolution was ensuring that endorsements would not disrupt the recruiting process [25]. An overhaul of NCAA rulings was requested, and the board of directors subsequently adopted a temporary rule change to address the state legislature [28]. When the first laws went into effect, there were several endorsement deals signed at midnight the day laws took effect. By September 2021, 28 states had NIL laws in place with effective dates awaiting. Massachusetts, New York, and Rhode Island had active bills in the legislative process [28]. Murphy (2021) called the Fair Pay to Play act (FPTPA) a "game-changer" for student-athletes because it guaranteed them the right to their identities, unlike their predecessors [25]. This was specifically impactful for students who have been portrayed in video games like EA's NCAA Football, which would amass an estimated \$78,000 for teams under the NIL rules [39]. It opens the door to sponsoring summer camps, apparel, sports drinks, and more and overrides the previous precedent that effectively sets the value of an athlete's identity to \$0 for the athlete [25]. The California ruling inspired many other states to follow suit, and in New York, it created a resource for injured athletes that may otherwise be unpaid after career-ending injuries [25]. The long runway to effectiveness in some states means that the athletes that hope to benefit the most from these laws are still in middle school. By 2023, the law may not have as much impact and may be more favorably governed [25]. Some have suggested allocating the funds to a trust that is accessible after college. The racial equity implications remain in discussion since both sports that generate the majority of revenues – men's basketball and football – are disproportionately dominated by African Americans [25]. Sheetz (2016) asserts that the acceptance of a role in collegiate athletics is not a forfeiture of foundational human rights such as name, image, and likeness, but there may be some additional variables to consider in terms of the protection of amateurism at the collegiate level [38]. Sheets (2016) research, before the NCAA's acceptance of the NIL rule, asserts that despite students being the backbone of an \$11 Billion revenue-generating industry, they will never receive a chunk of the revenues, even when it leads to additional brands – such as video games and licensing companies - that have come to generate millions from the brands of athletes [38].



The ability to stand against this NIL ruling is a basis for the NCAA's ability to maintain its stance as a regulatory body over collegiate sports, but only to the extent that it regulates the amateurism of collegiate athletes. This should not conflict with the NCAA's ability to also comply with federal antitrust laws and provide for some semblance of athlete compensation. [38]

NCAA bylaws define the line between amateur athletes and professionals as activities that are crucial to preserving the academic focus of students and preventing commercialization from exploiting athletes, so students must explicitly waive the right to their brand, effectively turning over any potential impending compensation to their respective University [38]. Sheetz (2006) reports the alternative compensation options that were presented to the district court in a case led by former NCAA athlete Ed O'Bannon. It included schools awarding a proportion of licensing revenues in the form of a stipend, placing revenues in a trust for students to receive after college, or permitting third-party endorsements approved by the school [38]. The protection of amateurism as a case for prohibiting all-athlete compensation was not upheld in the O'Bannon lawsuits [38].

States are tackling FPTPA legislation individually, but many of the laws have commonalities in that they allow student-athletes to be compensated for their NIL, allow student-athletes to hire agents to assist them in the navigation of corporate contracts, and prohibit punishment for participating in any of the aforementioned activities [4]. The legislature is meant to guide corporate contracts because the same relationship between student-athletes and their respective school that may look to use a student's NIL for promotional purposes would stipulate indirect payment for performance and thus threaten the school's tax exemption status as it relates to this unrelated business income [4].

## B. What are the legal tax implications?

Bunner (2021) suggests establishing a federally-structured compensation system to ensure students are fairly compensated for their NIL but also to reduce the adverse effects of non-uniformity of the economic incentives created by compensation at the state level [4]. The NCAA is a tax-exempt not-for-profit organization; thus, because of its 501(c)(3) status, it is taxed as a charitable organization so long as it maintains its primary function and promotes education [4]. A taxable event is created when an organization regularly engages in business that is unrelated to the primary function of the charitable organization. The event's revenues are classified as "unrelated business income" and are subject to federal income tax – unrelated business income tax (UBIT). It's important to note that this rule applies to regular occurrences, not irregular occurrences, and 501(c)(3) organizations, like the NCAA, may exclude certain items from UBIT, such as reasonable coaching salaries [4].

In the same vein, scholarships awarded to student-athletes do not qualify as taxable income so long as they do not exceed the cost of – and are directed toward – tuition, fees, books, and course materials and explicitly not for the payment of services rendered by the student. [4] This qualifier means that participation is not a requirement for an athletic scholarship. The UBIT exclusion that the NCAA uses

for coaches' salaries is the same for student-athlete incidental expenses related to travel, lodging, equipment, and meals [4].

The act also disadvantages certain schools when the state where they reside makes decisions on their FPTPA rights. Naturally, students will likely lean more toward schools where they can likely be sponsored over schools where there is no equal chance [25]. Some colleges in states that allow NIL do not participate in personal income tax laws, which creates even more recruiting leverage for schools in the state [4]. There are also instances of clauses that ensure the new legislature causes no undue harm that the NCAA can leverage to combat the new laws. This leaves the risk that major schools leave the NCAA and thus the governing environment, posing a risk in the state of California, home of the world's fifth-largest economy [25]. The discussion has expanded to also include the possibility of eliminating the NCAA – especially among conferences like the Pac-12 that can generate multi-billion-dollar contracts without the assistance of the NCAA or governing body's interference [25].

Boston (2020) takes an opposing view on the rules and analyzes Title IX – the law that protects students and student-athletes from gender-based discrimination [45] – implications [3]. Boston argues that the disparate impact will unevenly affect female athletes and be, thus, in conflict with Title IX's requirement for equal opportunity and equal treatment. Additionally, it suggests that compensation will support more participation in women's athletics and provides suggestions for implementing NIL in a way that will provide a more equitable environment for both men's and women's sports [3].

If a university's athletic program lost its tax exemption status, scholarships would be considered taxable income [3], which could lead to students paying the tax out of pocket for their non-cash scholarship benefit [6]. Some states have unique features to their NIL bills. South Carolina's bill would create state-maintained trusts that are funded annually – up to \$25,000 – and awarded to the athlete upon graduation as long as the athlete maintains "good academic standing" [4]. The NCAA bylaws expressly prohibit the promise of pay after completion of intercollegiate athletic participation also [4]. The bill also includes a stipend for an athlete's committed hours and classifies the stipend as financial aid, retaining state tax exemption. [4] These funds, which are payments for services rendered, would not be exempt under federal tax laws and may make students ineligible under NCAA rules for accepting compensation for playing. This may also threaten the University's ability to maintain 501(c)(3) status because regular, direct payments to students for sports participation would constitute unrelated business income [4].

Schulze and Epstein (2020) posit that the FPTPA does not give student-athletes rights as employees of their institution. Moreover, NIL will come with significant state tax obligations and implications. It affects a student's earned income, deductions, self-employment taxes, and filing obligations. It also introduces complexities for declaring a permanent home that differs from the location where taxable income is earned and subject to auditing [37].

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Schulze and Epstein (2020) argue these convoluted financial implications may overwhelm the average student-athlete who has not been accustomed to and is thus unfamiliar with the requirements of income tax [37].

The IRS has the incentive to monitor the revenue generation of universities as state FPTPA goes into effect, and NIL income would be fully federally taxable. This is inclusive of the fair value of nonmonetary gifts like fringe benefits – i.e., hotel points, frequent flyer miles, and entertainment tickets [37]. Royalties are taxed as ordinary income and must be recognized in the year they were actually or constructively received – whether accessed or not. Funds paid to an agent on behalf of a player or prepaid for future endorsements constitute constructively received funds. [37]. Individuals who earn below the standard deduction have the option not to file federal income taxes, but self-employed taxpayers, which NIL athletes will be, do not have that option. This will likely be coupled with the inability to substantially decrease their taxable income by itemizing [37]. Additionally, student-athletes become self-employed taxpayers without the benefit of sharing payroll taxes like FICA. The Federal Insurance Contributions Act (FICA) funds federal social security programs and is shared 50/50 with an employer [37]. They'll also be responsible for social security taxes and Medicare taxes. The state tax implication varies widely because state tax law varies widely, including the treatment of individual income. NIL athletes should prepare to pay state income taxes in all the states where income is earned [37].

Kurrass (2020) shared the history of the NCAAs tax exemption status as a 501(c)(3)[21]. The code was not extended to the NCAA and college athletic programs until the Tax reform act of 1976 added language to the code that included organizations that foster amateur sports competition. The language explicitly included organizations that provide athletic equipment and facilities [20]. College athletics have maintained their status under the veil of their connection to the University's primary educational purposes.

To qualify as a 501(c)(3), an organization must pass an organization test, which asserts that it exists for a limited purpose within one of the exempt categories, and an operational test, which allows the organization to operate as a business so long as it enhances the primary function of the purpose of the organization [20]. An extension of the organizational rule asserts that no 501(c)(3) organization or its members should participate in activities that do not further the exempted purpose for which the organization exists [20]. Materiality plays a part in determining whether the revenues generated by the operational arm of the organization substantially benefit the purpose for tax exemption or, more significantly, benefit another purpose [20]. The historical lack of student compensation has allowed athletic departments and the NCAA to pass the operational test and avoid UBIT for high revenue-generating sports like football and men's basketball [20].

With the uprising commercialization of broadcasted sporting events, the NCAA's ability to police the broadcasting rights of their member universities raised questions about their primary purpose for existing. The district court argues that this is beyond their primary purpose of promoting amateurism and is more related to maximizing

revenues [20]. Professor Matthew Mitten suggested legislation that would effectively give the NCAA and its member universities immunity from antitrust laws in exchange for (1) 4-year full scholarships for athletes, (2) healthcare insurance for the athletes with the ability to extend their scholarship across years that may be forfeited to injury, (3) academic assistance for student-athletes that need tutoring, and (4) a fund that holds scholarship money for continuing education after the student's college career expires – this would be funded by the revenues generation of the sport [20].

The courts held that limiting the number of sports broadcasting opportunities as a means of minimizing the commercialization of amateurs is a violation of antitrust laws under the Sherman Act. [20] The act protects the economy from adverse economic effects when fair trade and market competition are restricted and was created during a time when the U.S. was being affected by multiple formations of monopolies [32]. Athletes have repeatedly argued that the NCAAs restraint on student-athlete compensation is a violation but has failed to prove that the NCAA engages in agreement that restricts competition or affects interstate commerce. [32]. In the previously mentioned O'Bannon case, the plaintiff argued that previous NIL restraints create an environment in which the student is both the sole buyer and the sole seller creating both a monopoly and a monopsony [48].

The student-Athlete Equity act is critically important in allowing the NCAA and its member organization to continue to benefit from their 501(c)(3) status while also allowing a student to benefit from their NIL. It will also protect the schools and their athletic programs from losing their status in future tax reform.

### C. NIL Bills in the SEC West

There are seven schools in the SEC West representing five states: the University of Arkansas (Arkansas), the University of Alabama and Auburn University (Alabama), the University of Mississippi and Mississippi State (Mississippi), Louisiana State University (Louisiana), and Texas A&M University (Texas) [1]. Although each SEC school is governed and federally regulated by the NCAA [29], NIL bills are state legislature and may vary for each of these universities depending on the state in which they exist [20], with some states having legislation proposed, but not completely passed [9]. This section will provide a dissection of the components of each state's bill and further provide a comparative analysis of each state's unique features.

### D. Alabama's NIL Bill

Alabama passed its respective NIL bill, House Bill 404, becoming the 10<sup>th</sup> state to join the NIL conversation [46]. Several local news articles reported that Alabama legislators did not want the state's schools to be at a recruiting disadvantage as NIL bills continued to arise [2]. Like many other states, the bill in Alabama allows athletes to be compensated for the use of their NIL without unduly restriction from their respective universities.



The Alabama bill stipulates that sponsoring entities must not be third parties or subsidiaries of the school. In terms of agency representation, the agent must be registered in the state of Alabama or a licensed attorney [15].

The bill explicitly disallows compensation in exchange for or as an incentive to attend an institution. It also explicitly states that student-athletes are not employees of the bill has no effect on that status. Violations will be deemed as a Class C felony for non-student-athletes and a Class A misdemeanor for student-athletes [15].

The bill applies to all athletes at institutions of postsecondary learning, including community colleges. It further dictates that the compensation should be reflective of the market value of the NIL of the athlete in question [15]. The Alabama bill allows universities to categorically prohibit the endorsement of nicotine, tobacco, alcohol, gambling, and adult entertainment. Further, athletes can be prohibited from fulfilling their NIL contractual obligations during the run of play of their sport while wearing their uniform or any other university paraphernalia. Their NIL contract cannot conflict with the contract between the school and the student as they act in their capacity as student-athletes [15].

Unlike other states that assumed the NCAA would eventually govern the execution of the state-established NIL bills, the bill in Alabama established a six-member Alabama Collegiate Athletics Commission as a legislative body that holds two key purposes. First, the commission is charged with providing the NIL rules and recommendations for dealing with issues. Second, the commission will require collegiate student-athletes to participate in financial literacy courses and life skills workshops. [15] In section 5 of [15], like the Texas and Louisiana NIL bills, the legislation further stipulates that a student-athlete participate in a minimum of 5 hours of financial literacy at the beginning of their first and third academic years. Topics and content explicitly denoted include debt management, financial aid, budget modeling, and time management [15].

### E. Arkansas' NIL Bill

In Arkansas, the NIL bill was proposed to the house and the senate in the spring of 2021. The related House bill became an act in late April of the same year. [16]. The *Arkansas Student-Athlete Publicity Rights Act* grants NIL rights, except for the use of data collection and processing. It expressly excludes athletic associations, conferences, institutions of higher education, and not-for-profits from benefiting from NIL as a third-party licensee [16]. In line with most other NIL laws, the Arkansas NIL bill allows for compensation, allows agency representation, and disallows punishment by the school, the conference, or the NCAA for participating in the aforementioned [16].

The laws in Arkansas limit contracts of this nature from requiring specific endorsement activities during the run of play. Additionally, contracts cannot conflict with the student-athlete's terms contracted with the school they play for or be dependent on the student-athlete's performance [16]. In terms of agency representation, the HB 1671 Bill (2021) stipulates that attorneys, financial advisors, and other agents that represent the athlete must be licensed in the state wherein they represent. Representation of this nature must be explicitly disclosed by the student to a designated official at

the university, and the terms of representation may be terminated without notice or liability should the student-athlete leave the school, become academically ineligible, or simply stop participating [16].

Arkansas legislature prohibits endorsements related to sexually suggestive products, alcohol, pharmaceuticals, casinos and gambling, weapons, and other items that may be prohibited by intercollegiate athletics. [16]. The University of Arkansas additionally provided a summation of the law and the implication for the school, which include their retention of the right to use a student's NIL to promote the school. It further posits that the school will not be responsible for assisting students in the sourcing of their agency representation and that NIL laws do not allow students to benefit from boosters [42]. Arkansas was the 11<sup>th</sup> state to pass NIL legislature, and it went into effect in January 2022 [10].

### F. Mississippi's NIL Bill

In Mississippi, the NIL bill [34] is formally known as the Mississippi Intercollegiate Athletics Compensation Rights Act. In addition to authorizing the compensation of collegiate athletes for the use of their NIL, the bill immediately defines what is excluded from this authorization. Compensation should not be earned for participation, athletic ability, or employment. NIL contracts cannot conflict with the contract between the institution and the student and cannot include the use of registered intellectual property. NIL contracts must be self-reported to the university promptly [34].

In addition to the prohibition of the university to punish student-athletes, including prohibiting the student from participation as a punishment for engaging in NIL contracts, the Mississippi bill explicitly includes rules against prohibiting the revocation or reduction of financial aid or scholarships [34]. NIL compensation cannot include an incentive to attend a specific school and cannot be paid by the University, boosters, or individuals. The law stipulates that the traditional governing bodies, such as the NCAA, do not hold authority over the rulings held within. The bill does give the right to universities to reasonably limit the date and times during which endorsement obligations can be fulfilled. This was done to "protect the integrity of [the university's] educational mission and intercollegiate athletics program" [34]. Similar to other states' legislatures, Mississippi does not allow for NIL contracts to include the unauthorized use of the school's brand but allows the school to be compensated at market rates when authorized use is granted [34].

Mississippi's bill specifically describes the parties, outside of student-athletes, that can participate in NIL contracts and explicitly excludes governing associations (i.e., the NCAA), athletic conferences (i.e., the SEC), boosters, third-party licensees, or individuals [34]. The restrictions are further extended to prospective students and the families of current student-athletes. NIL contracts must be disclosed to the student's institution and cannot be entered into before enrollment. Likewise, agency representation must be disclosed to the institution seven days before execution and must be a professional that is licensed and registered in the state [34].



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The presence of a NIL contract does not provide permission to revoke or reduce a student-athlete's financial aid or scholarship [34]. The contract should be treated as separate from the terms and agreements of the student's participation as a student-athlete, and the two agreements cannot conflict. This includes agreements that may have adverse impacts on the brand of the school that endorses gambling, drugs, alcohol, adult entertainment, and the like. NIL contracts are only valid after enrollment and may not extend past the athlete's collegiate career [34].

A student being of the age to have the capacity to enter a contract – *age 18 in Mississippi* – also means that the student is individually liable to sue or be sued for NIL breaches [34]. On the other hand, universities, which cannot, in most cases, be a party to these contracts, cannot be held liable for damages, unfair trade, or issues related to the implementation and endorsement of the NIL bill. The Mississippi NIL bill was passed into law in April 2021 and took effect July 1, 2021 [34].

### G. Texas' NIL Bill

In the introduction of the Texas NIL bill [41], the authors take time to recognize the significance that intercollegiate athletics play in the state and declare that the bill is partly a result of the lack of uniform guidance on the matter of athletic compensation at federal levels. It further urges Congress to act for the sake of the integrity of collegiate athletics. The substance thereafter is in line with other state legislature, but the language continues to have dissimilarities [41].

The bill distinguishes the parties related to the NIL execution and refers to universities in two ways – general academic teaching institutions or private or independent institutions of higher education [41]. It immediately prohibits universities from restricting a student-athlete's ability to be compensated for commercial use of their NIL or obtain professional representation. Regarding scholarships, the Texas bill uniquely declares that financial aid and scholarships are not compensation and that NIL athletes cannot be declared ineligible for receiving scholarships and financial aid. In several clauses, the Texas bill notes that students are not employees, and compensation does not change that [41]. In a similar fashion to other bills, the Texas bill forbids a university from creating or enforcing policies that prevent a student from being compensated or hiring agency representation. It explicitly distinguishes scholarships and financial aid from compensation to declare that NIL compensation cannot disqualify a student from receiving other forms of financial aid [41]. It further prohibits NIL compensation from being used to incentivize prospective students. As with many other bills, the Texas bill prohibits conflicts with the student's contract as an athlete at the institution but also forbids the university from enacting team policies in conflict with the NIL Bill. It further stipulates that NIL cannot be used to solicit prospective students [41].

As a student in Texas, disclosures are required before entering a NIL contract. Students are required to inform the institution by whatever means the institution sets forth. NIL compensations cannot be provided by the institution or in exchange for property owned by the institution [41]. Other limitation includes pay-for-performance and the endorsement

of alcohol, tobacco, steroids, cigarettes, gambling, and firearms that the student cannot legally purchase. The executed contract cannot be for a term that is longer than the student's collegiate-athletic career. If a university identifies a conflict between a student's NIL contract and the terms or conditions of their enrollment or student-athlete, the student or their agent has ten days to rectify the conflict [41].

Similar to Alabama and Louisiana's NIL bills, the Texas NIL bill requires financial literacy and life skills training and disallows the facilitators of such training to market their brand to the athletes. Texas NIL arrangements cannot be made to prospective students or before enrollment – especially as a tool to incentivize enrollment. This clause keeps the NIL bill in line with other legislature related to education and occupation codes that control recruiting activities [41].

### H. Louisiana's NIL Bill

Similar to the opening of the Texas NIL bill, the Louisiana bill takes a moment to recognize the opportunity that collegiate athletics provides for educational attainment but states that this should not infringe on the ability of a student to be compensated for the commercial use of their NIL. In allowing an athlete to be compensated for their NIL, Louisiana's bill stipulates that this rate should be commensurate with the market value of the student-athlete's NIL [33]. It prohibits the payment of this compensation to a current or prospective athlete from being paid by the university, other intercollegiate athletic programs, their employers, or their officers [33]. The Louisiana bill forbids universities from creating or upholding rules that restrict athletes from earning for the commercial use of their NIL. This clause also mentions that NIL compensation cannot affect financial aid or eligibility for scholarships. The university cannot be the payor of NIL compensation, nor can they direct compensation to current or prospective student-athletes through boosters or other mediums under the guise of NIL compensation [33]. NIL contracts cannot conflict with preexisting university contracts or sponsorships and cannot conflict with the values defined by the university. This precludes the prohibition of endorsements of alcohol, drugs, tobacco, and other banned substances and any forms of gambling. If an institution finds a conflict in the NIL contract of an athlete, it must be disclosed to the athlete or their agent. Additionally, a student's NIL contract does not give them the right to leverage the school's brand and other intellectual property [33]. Representation can be hired for matters concerning NIL; however, the agent must be registered for the activity hired. Sports agents are further responsible for complying with federal sports agent laws. Scholarships and financial aid are not to be treated as compensation and should not be revoked or reduced due to the hiring of agency representation or execution of a NIL contract. Since minors cannot execute contracts, NIL contracts for athletes that are not of age should be executed by their parents or legal guardians [33]. NIL contract should be disclosed to the university in the manner the university has outlined and cannot be for a duration longer than the student's collegiate-athletic career.



The Louisiana bill mirrors the Texas and Alabama bill and requires athletes to take financial literacy and life skills courses. It also requires universities to create a board for managing and monitoring NIL activities, policies, and provisions [33].

**I. NIL Bill Updates**

By the Spring of 2022, Alabama, Mississippi, and Louisiana had repealed or amended their NIL bills, opting for less stringent terms [22]. Since the NCAA did not further provide structure for the execution of NIL bills, some states felt that it became more beneficial to be a college athlete in a state with no NIL bill at all because of the limitations to the institution's ability to be involved in the deals [11] Mississippi added a clause that requires NIL contracts to include verbiage that warns student and agents about the risk of losing eligibility to compete if the contract does not adhere to NIL laws promptly [11].

In June of 2021, the NCAA adopted an interim policy allowing athletes to engage in NIL activities and insisting that athletes abide by their respective state laws. In states without specific laws, the NCAA allows NIL participation without punishment [18]. This policy nullified the need to pass a state NIL bill, which is, in part, the reason why Alabama legislatures repealed their more restrictive NIL bill in February 2022 [5]. Mississippi's NIL bill amendment allows universities to participate in the facilitation of NIL agreements and allows athletes to participate after they verbally commit to enrolling at a university [11]. Louisiana's amendment removes the stipulation that universities, associations, and other third parties cannot be the payors of NIL compensation. The amendment allows boosters to

provide NIL compensation to college athletes and prospects [35].

**J. Theoretical Framework**

This research will evaluate financial performance through the lens of Harvard Business School's financial key performance indicators (KPIs). This research will leverage the framework to determine each university's financial performance before and after passing NIL bills in their respective states. Key performance indicators are used to improve decision-making by leveraging metric-based analysis. Organizations use these metrics to track and analyze the performance of the organization and quantify the organization's financial health. The metrics can inform on the organization's profitability, liquidity, solvency, efficiency, and value [40]. The key inputs for the financial analysis come from four financial documents: the balance sheet, the income statement, the cash flow statement, and the annual report. For not-for-profit organizations like public universities, the balance sheet may be referred to as a statement of financial position. Likewise, the income statement may be referred to as a statement of activities (FASB, 1993). The profitability measures include gross profit margin, net profit margin, return on equity, and return on assets. Efficiency measures analyze inventory and asset turnover. The liquidity measures focus on working capital ratios, current ratios, and acid tests.

The final metrics measure financial leverage, operational cash flow, and solvency. The thirteenth KPI is seasonality which measures how the finances are affected by the time of the year. This will be indeterminable with annually reported financial statements.

The respective calculations are presented below:

Profitability	
<b>Gross Profit Margin</b>	Gross Profit Margin = (Revenue - Cost of Sales) / Revenue * 100
<b>Net Profit Margin</b>	Net Profit Margin = Net Profit / Revenue * 100
<b>Return on Equity</b>	ROE = Net Profit / (Beginning Equity + Ending Equity) / 2
<b>Return on Assets</b>	ROA = Net Profit / (Beginning Total Assets + Ending Total Assets) / 2
Liquidity	
<b>Working Capital</b>	Working Capital = Current Assets - Current Liabilities
<b>Current ratio</b>	Current ratio = Current Assets / Current Liabilities
<b>Quick Ratio/Acid Test</b>	Quick Ratio = (Current Assets - Inventory) / Current Liabilities
Leverage	
<b>Financial Leverage</b>	Leverage = Total Assets / Total Equity
Solvency	
<b>Debt-to-Equity Ratio</b>	Debt to Equity Ratio = Total Debt / Total Equity
Efficiency	
<b>Inventory Turnover</b>	Inventory Turnover = Cost of Sales / (Beginning Inventory + Ending Inventory / 2)
<b>Total Asset Turnover</b>	Total Asset Turnover = Revenue / (Beginning Total Assets + Ending Total Assets / 2)
Other	
<b>Operating cash flow</b>	Operating cash flow = Operating Income + Depreciation - Taxes + Change in Working Capital



## IV. METHODOLOGY

The purpose of this study is to add to the dearth of research related to Name, Image, and Likeness (NIL) laws by filling the gap in the literature related to the financial performance of universities in the SEC West. The research question explores how the financial performance of SEC West universities has changed since the introduction of NIL regulations. The hypotheses related to this study posit that the SEC West universities either have or have not experienced better financial performance since the introduction of NIL bills. This study will leverage a non-experimental correlational research design to explore if there is a relationship between two variables – NIL bills and university financial performance. Correlation is not an absolute indicator of causality. This backward-looking research will utilize historical data to identify a pattern in the variables. It is non-experimental and does not involve the manipulation of variables in the study [7]. The population for this NIL-related research is Universities in the United States. The study will utilize a convenience sample defined by the collegiate athletic conference that a subset of universities belongs to; the Southeastern Conference – West Division (SEC West). This research focused on the SEC as a sample for this study for several reasons. First, since the schools in the SEC represent some of the most highly competitive teams in the two highest revenue-generating college sports – football and men's basketball [19],[27]– it was assumed that they might have a significant NIL presence among their athletes that compete in the SEC. Secondly, the SEC footprint spans a variety of states with varying NIL laws. The West Division of the SEC was selected because, at the time of this study, the states represented within the SEC West had NIL bills in varying stages of the legislative process – some states had passed the law, others were deliberating in the house or Congress, and one had repealed their previously enacted law [9]. SEC West consists of seven public universities: the University of Arkansas, the University of Alabama and Auburn University, the University of Mississippi and Mississippi State, Louisiana State University, and Texas A&M University [1]. The universities are impacted by NIL bills across five states: Alabama, Arkansas, Louisiana, Mississippi, and Texas. This conference was selected for two primary reasons. The schools in the conference are among NCAA's top-ranked athletic programs [30];[31] in the highest revenue-generating sports – men's football and basketball [25]. Additionally, the states where these schools reside illustrate a variety of NIL regulatory environments. By the Spring of 2022, each of the states had passed a NIL bill, but Alabama subsequently repealed its bill and opted for broader, less stringent NCAA regulations [5]. This financial analysis measures the performance of the universities through the lens of key performance indicators (KPIs). Financial KPI metrics inform on the profitability, liquidity, leverage, solvency, financial efficiency, and operating cash flow of the universities, but this study focuses on the profitability metrics – gross profit margin, net profit margin, return on equity, and return on assets. The financial statements in scope for this research are from the universities' 2022 and 2019 fiscal years. The data has been collected from the university's published public records and annual reports. It is assumed that these records are an accurate and complete representation of the

university's financial state. This research eludes many traditional ethical considerations because it does not include human participants. Thus, risks related to informed consent, anonymity, voluntary participation, and human harm are minimal. The research design was not reviewed by a review board. The research does include a variety of perspectives from a variety of primary and secondary sources to mitigate the risk of bias. All findings, including those contrary to the null hypotheses, are presented honestly. Sources are disclosed and cited throughout [7].

## V. RESULT AND DISCUSSION

The Annual Financial Reports, as published and reported on each of the 7 SEC West universities' webpages, were reviewed to source the necessary components to derive profitability metrics, as shown in Tables 1-7. The components derived from the Statements of Net Position included Beginning and ending total assets and total equity. The components derived from the Statements of Revenue, Expenses, and Changes in Net Position included revenues, operating Expense, and Net Profit. The four profitability measures were calculated for the years ending 2019 and 2020 (before NIL) and 2021 (after NIL) in a side-by-side analysis for comparative purposes. Alabama had the largest point increase in gross profit across all seven SEC West universities, increasing almost seven-fold from margins of 3.71 to 31.42 (Table 1). All other profitability measures decreased slightly, with return on assets having the least movement, decreasing by .01%. Arkansas experienced growth in every measure, with the largest growth of 77% in net profit margin (Table 2). Auburn experienced almost double-digit growth in each profitability measure. The most significant growth was in their return on assets, which experienced 148% growth (Table 3). The University of Mississippi experienced uniform growth at around 80% for all profitability metrics (Table 4). Mississippi State and LSU both experienced a downturn in profitability across all measures (Table 5; Table 6), with LSU's downturn showing a profitability downturn eight and nine times over (Table 6). Lastly, Texas A&M demonstrated growth in all areas with the same rate of growth in gross profit margins as Alabama but a lower dollar-for-dollar impact (Table 7). When considering any correlation related to the passing of NIL bills, it is expected that schools in the same state, which share the same NIL bill legislature, would trend in a similar pattern. In the SEC West, Alabama, and Auburn both reside in Alabama, but their profitability indicators changed in opposing directions for all profitability metrics except for Gross Profit Margin. Likewise, both Mississippi State and Ole Miss, which are governed by the same NIL legislature in Mississippi, experienced opposing directional changes across all four profitability indicators. Alabama, the only state to repeal its NIL law [22], did not demonstrate profitability outliers in any area except in the University of Alabama's Gross Profit Margin. Conversely, the gross profit growth outlier in Alabama, a state with no NIL restrictions, was replicated in 2021 at Texas A&M, in Texas, a state with robust NIL regulations.





	Alabama			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 1,151,650,933	\$ 1,148,728,888	\$ 1,648,644,902	
Operating Expense	\$ 1,108,966,258	\$ 1,033,692,957	\$ 1,130,646,348	
<b>Gross Profit Margin</b>	<b>3.71</b>	<b>10.01</b>	<b>31.42</b>	<b>747.72%</b>
Net Profit	\$ 52,426,333	\$ 96,401,722	\$ 58,671,698	
Revenue	\$ 1,151,650,933	\$ 1,148,728,888	\$ 1,648,644,902	
<b>Net Profit Margin</b>	<b>4.55</b>	<b>8.39</b>	<b>3.56</b>	<b>-21.82%</b>
Net Profit	\$ 52,426,333	\$ 96,401,722	\$ 58,671,698	
Beginning Equity	\$ 2,015,157,362	\$ 2,052,545,372	\$ 2,339,414,234	
Ending Equity	\$ 2,052,545,372	\$ 2,339,414,234	\$ 2,655,203,370	
<b>Return on Equity</b>	<b>2.58%</b>	<b>4.39%</b>	<b>2.35%</b>	<b>-8.86%</b>
Net Profit	\$ 52,426,333	\$ 96,401,722	\$ 58,671,698	
Beginning Assets	\$ 4,399,887,593	\$ 4,756,895,458	\$ 4,861,677,223	
Ending Assets	\$ 4,756,895,458	\$ 4,881,510,109	\$ 5,414,533,898	
<b>Return on Assets</b>	<b>1.15%</b>	<b>2.00%</b>	<b>1.14%</b>	<b>-0.28%</b>

Table 1

	Arkansas			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 978,221,484	\$ 977,233,447	\$ 995,261,347	
Operating Expense	\$ 906,267,759	\$ 906,035,410	\$ 876,655,485	
<b>Gross Profit Margin</b>	<b>7.36</b>	<b>7.29</b>	<b>11.92</b>	<b>62.01%</b>
Net Profit	\$ 55,011,591	\$ 35,969,134	\$ 99,348,793	
Revenue	\$ 978,221,484	\$ 977,233,447	\$ 995,261,347	
<b>Net Profit Margin</b>	<b>5.62</b>	<b>3.68</b>	<b>9.98</b>	<b>77.50%</b>
Net Profit	\$ 55,011,591	\$ 35,969,134	\$ 99,348,793	
Beginning Equity	\$ 1,087,307,101	\$ 1,186,591,271	\$ 1,263,931,792	
Ending Equity	\$ 1,186,591,271	\$ 1,263,931,792	\$ 1,360,452,369	
<b>Return on Equity</b>	<b>4.84%</b>	<b>2.94%</b>	<b>7.57%</b>	<b>56.48%</b>
Net Profit	\$ 55,011,591	\$ 35,969,134	\$ 99,348,793	
Beginning Assets	\$ 2,126,762,348	\$ 2,210,165,258	\$ 2,285,358,596	
Ending Assets	\$ 2,210,165,258	\$ 2,285,358,596	\$ 2,372,512,726	
<b>Return on Assets</b>	<b>2.54%</b>	<b>1.60%</b>	<b>4.27%</b>	<b>68.15%</b>

Table 2

	Auburn			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 1,308,176,892	\$ 1,324,358,764	\$ 1,521,462,141	
Operating Expense	\$ 1,209,593,678	\$ 1,195,852,118	\$ 1,302,038,299	
<b>Gross Profit Margin</b>	<b>7.54</b>	<b>9.70</b>	<b>14.42</b>	<b>91.38%</b>
Net Profit	\$ 78,963,235	\$ 109,088,728	\$ 225,994,158	
Revenue	\$ 1,308,176,892	\$ 1,324,358,764	\$ 1,521,462,141	
<b>Net Profit Margin</b>	<b>6.04</b>	<b>8.24</b>	<b>14.85</b>	<b>146.08%</b>
Net Profit	\$ 78,963,235	\$ 109,088,728	\$ 225,994,158	
Beginning Equity	\$ 1,052,545,862	\$ 1,134,391,390	\$ 1,388,530,957	
Ending Equity	\$ 1,134,391,390	\$ 1,388,530,957	\$ 1,339,184,342	
<b>Return on Equity</b>	<b>7.22%</b>	<b>8.65%</b>	<b>16.57%</b>	<b>129.46%</b>
Net Profit	\$ 78,963,235	\$ 109,088,728	\$ 225,994,158	
Beginning Assets	\$ 3,437,833,596	\$ 3,554,018,288	\$ 3,899,283,859	
Ending Assets	\$ 3,554,018,288	\$ 3,899,283,859	\$ 4,161,535,068	
<b>Return on Assets</b>	<b>2.26%</b>	<b>2.93%</b>	<b>5.61%</b>	<b>148.25%</b>

Table 3



## Profitability as a Knock-on Benefit to Collegiate-Athlete Brand Compensation

	Mississippi			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 595,712,035	\$ 582,233,372	\$ 621,530,360	
Operating Expense	\$ 558,053,197	\$ 571,190,499	\$ 550,977,118	
<b>Gross Profit Margin</b>	<b>6.32</b>	<b>1.90</b>	<b>11.35</b>	<b>79.57%</b>
Net Profit	\$ 34,711,333	\$ 10,330,343	\$ 66,127,420	
Revenue	\$ 595,712,035	\$ 582,233,372	\$ 621,530,360	
<b>Net Profit Margin</b>	<b>5.83</b>	<b>1.77</b>	<b>10.64</b>	<b>82.59%</b>
Net Profit	\$ 34,711,333	\$ 10,330,343	\$ 66,127,420	
Beginning Equity	\$ 1,003,603,018	\$ 1,047,343,793	\$ 1,055,009,642	
Ending Equity	\$ 1,047,343,793	\$ 1,055,009,642	\$ 1,104,652,870	
<b>Return on Equity</b>	<b>3.38%</b>	<b>0.98%</b>	<b>6.12%</b>	<b>80.92%</b>
Net Profit	\$ 34,711,333	\$ 10,330,343	\$ 66,127,420	
Beginning Assets	\$ 1,722,087,198	\$ 1,751,831,627	\$ 1,800,098,551	
Ending Assets	\$ 1,751,831,627	\$ 1,800,098,551	\$ 1,869,906,555	
<b>Return on Assets</b>	<b>2.00%</b>	<b>0.58%</b>	<b>3.60%</b>	<b>80.33%</b>

**Table 4**

	Mississippi State			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 788,294,899	\$ 822,593,748	\$ 858,589,286	
Operating Expense	\$ 735,822,067	\$ 786,499,808	\$ 807,236,431	
<b>Gross Profit Margin</b>	<b>6.66</b>	<b>4.39</b>	<b>5.98</b>	<b>-10.15%</b>
Net Profit	\$ 71,212,449	\$ 68,894,221	\$ 58,854,326	
Revenue	\$ 788,294,899	\$ 822,593,748	\$ 858,589,286	
<b>Net Profit Margin</b>	<b>9.03</b>	<b>8.38</b>	<b>6.85</b>	<b>-24.12%</b>
Net Profit	\$ 71,212,449	\$ 68,894,221	\$ 58,854,326	
Beginning Equity	\$ 430,192,283	\$ 526,505,138	\$ 568,827,636	
Ending Equity	\$ 526,505,138	\$ 568,827,637	\$ 587,322,751	
<b>Return on Equity</b>	<b>14.89%</b>	<b>12.58%</b>	<b>10.18%</b>	<b>-31.61%</b>
Net Profit	\$ 71,212,449	\$ 68,894,221	\$ 58,854,326	
Beginning Assets	\$ 1,417,618,022	\$ 1,503,160,771	\$ 1,572,743,804	
Ending Assets	\$ 1,503,160,771	\$ 1,572,743,804	\$ 1,684,842,064	
<b>Return on Assets</b>	<b>4.88%</b>	<b>4.48%</b>	<b>3.61%</b>	<b>-25.90%</b>

**Table 5**

	Louisiana			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 1,057,072,726	\$ 1,004,447,553	\$ 1,047,381,605	
Operating Expense	\$ 1,048,900,764	\$ 1,016,368,426	\$ 1,073,320,301	
<b>Gross Profit Margin</b>	<b>0.77</b>	<b>-1.19</b>	<b>-2.48</b>	<b>-420.35%</b>
Net Profit	\$ 3,879,094	\$ 11,553,574	\$ (30,924,006)	
Revenue	\$ 1,057,072,726	\$ 1,004,447,553	\$ 1,047,381,605	
<b>Net Profit Margin</b>	<b>0.37</b>	<b>1.15</b>	<b>-2.95</b>	<b>-904.57%</b>
Net Profit	\$ 3,879,094	\$ 11,553,574	\$ (30,924,006)	
Beginning Equity	\$ (226,102,866)	\$ (216,861,548)	\$ (346,915,490)	
Ending Equity	\$ (216,861,548)	\$ (346,915,490)	\$ (477,483,620)	
<b>Return on Equity</b>	<b>-1.75%</b>	<b>-4.10%</b>	<b>7.50%</b>	<b>-528.35%</b>
Net Profit	\$ 3,879,094	\$ 11,553,574	\$ (30,924,006)	
Beginning Assets	\$ 1,751,940,213	\$ 1,996,617,649	\$ 2,117,755,245	
Ending Assets	\$ 1,996,617,649	\$ 2,117,755,245	\$ 2,149,301,123	
<b>Return on Assets</b>	<b>0.21%</b>	<b>0.56%</b>	<b>-1.45%</b>	<b>-800.33%</b>

**Table 6**



	Texas A&M			Change
	Before NIL			
	2019	2020	2021	
Revenues	\$ 1,969,011,070	\$ 2,181,935,324	\$ 2,448,515,373	
Operating Expense	\$ 1,929,040,917	\$ 2,022,838,467	\$ 2,026,783,085	
<b>Gross Profit Margin</b>	<b>2.03</b>	<b>7.29</b>	<b>17.22</b>	<b>748.49%</b>
Net Profit	\$ 437,808,128	\$ 283,745,881	\$ 595,852,139	
Revenue	\$ 1,969,011,070	\$ 2,181,935,324	\$ 2,448,515,373	
<b>Net Profit Margin</b>	<b>22.23</b>	<b>13.00</b>	<b>24.34</b>	<b>9.45%</b>
Net Profit	\$ 437,808,128	\$ 283,745,881	\$ 595,852,139	
Beginning Equity	\$ 5,078,000,822	\$ 5,517,868,353	\$ 5,805,570,191	
Ending Equity	\$ 5,517,868,353	\$ 5,805,570,191	\$ 6,405,545,252	
<b>Return on Equity</b>	<b>8.26%</b>	<b>5.01%</b>	<b>9.76%</b>	<b>18.10%</b>
Net Profit	\$ 437,808,128	\$ 283,745,881	\$ 595,852,139	
Beginning Assets	\$ 5,783,686,584	\$ 6,240,659,388	\$ 6,452,119,018	
Ending Assets	\$ 6,240,659,388	\$ 6,452,119,018	\$ 7,001,139,489	
<b>Return on Assets</b>	<b>7.28%</b>	<b>4.47%</b>	<b>8.86%</b>	<b>21.64%</b>

Table 7

Note: Source Data from Annual Financial reports can be found [here](#).

## VI. CONCLUSION

Various factors conjointly play into any entity's financial performance and profitability from one year to the next. There are also limitations to measuring correlation. For this study, three years were evaluated; 2019 and 2020 as a basis for before NIL and 2021 to serve as a post-regulation point of reference. At the time of the study, the fiscal year 2022 data was not yet available, but it may be more appropriate for measuring the post-results of a regulation that was implemented in 2021. Additionally, both events occurred in the midst of both a global pandemic and an economic downturn. These are two reasons this study did not explore causality between NIL and financial performance.

Among the SEC West schools, Auburn University demonstrated the most significant, comparative post-NIL growth. Auburn ranked third among the schools in the SEC West in terms of NIL collectives – behind Texas A&M and Alabama [8]. According to a study on the economic diversity and outcomes of students, Auburn and Alabama students share similar demographic and financial profiles [14]. Both schools in Alabama operate off the same NIL rulings, which begs questions about the stark differences in their financial performance, assuming similar impacts. After further analysis, it appears that Auburn had several impactful events with coincidental timing that affected the financial reports. Auburn reported record revenue and profits in FY22. The result was the highest profit margin in Auburn athletic history, just a year after operating in a deficit. The same year, both football and basketball arenas opened to their total capacities. This was also one of the basketball team's most successful seasons in the history of the program. They saved large sums in severance payouts owed to former coaching staffs – the reflection of which will not be present until the FY23 reports are published due to the timing of the firings [13]. The coincidental timing of these major profit drivers suggests that Auburn's standout financial performance may be an outlier of happenstance.

On the other side, Louisiana State University demonstrated

the most significant, comparative post-NIL decline. A study on the effect of decreases in state funding posits that Louisiana State has doubled in tuition to offset the impact. The tuition in Louisiana, which has doubled in the last five years, has grown more than in any other state [26]. However, it remains approximately average for SEC West schools [24]. The decreasing external funding and the just recent tuition adjustment suggest that the state schools in Louisiana may have been operating in the red for some time.

Despite not expecting to prove a cause-and-effect relationship, a pattern of correlation was expected. The research suggests that NIL laws introduce a tremendous opportunity for financial growth to collegiate athletes [36] but that there will also be knock-on and peripheral benefits to the universities that these athletes attend [4]. From more lenient stipulations that regulate boosters' activities [35] to opportunities to lease out their intellectual property [34], the university has stakes in the NIL profits. Nonetheless, among both NIL and non-NIL schools, profitability metrics proved to be random across the sample and within states that share the same legislative environment.

Future research may look into athletic spending and revenues instead of the entire university's financial performance to better focus the study and mitigate the extraneous variable that may cause inconclusive results. Data availability presented limitations for this study. First, the university's fiscal years end in June – in alignment with the academic calendar year. The university's financials are produced and published in the months following, which serves as a significant delay in availability. The Department of Education allows a university to have six months [44]. Second, the effects of the pandemic are still present in various facets. COVID's impact on the financial health of institutions of higher education spanned from cash flow challenges, enrollment uncertainties, operating deficits, and continued debt obligations [12]. According to the U.S.

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Department of Education (2020), the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$2.2 trillion in economic relief during the pandemic - \$76.2 billion of this went to higher education [43]. Decoupling the financial impacts of COVID from the potential impacts attributed to NIL is virtually impossible. The passage of time will provide more data that is further separated from pandemic impacts while also presenting more mature NIL evolutions.

## DECLARATION

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Conflicts of Interest/ Competing Interests	No conflicts of interest to the best of our knowledge.
Ethical Approval and Consent to Participate	No, the article does not require ethical approval and consent to participate with evidence.
Availability of Data and Material/ Data Access Statement	The data is relevant, available, and can be requested <a href="#">here</a> .
Authors Contributions	All authors have individual participation in this article. Stephanie, a doctoral student, was the primary author. Dr. Nadj, a Ph.D and professor, coauthored the article, providing insight on the direction, reviewing the content, and providing constructive feedback.

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