

Practice Update

A New Era of College Sports: Overview and Impact of the NCAA *House* Settlement Agreement

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The NCAA *House* settlement agreement has been the subject of significant discussion and controversy, with multiple hearings reflecting the magnitude of its implications. However, on Friday, June 6, Judge Claudia Wilken granted final approval of the settlement, marking what is considered the most transformative shift in the history of college sports. Before the settlement, student-athletes could only receive compensation via third parties for their Name, Image, and Likeness (NIL). However, following the settlement, athletic departments at colleges and universities across the country can now directly compensate their student-athletes. The major components of the settlement are outlined below:

1. Back Pay

A central provision of the settlement is the allocation of approximately \$2.8 billion in back pay to current and former student-athletes who participated in college athletics between June 15, 2016, and September 15, 2024. Eligibility and payment amounts will vary based on each student-athlete's sport, institution, and duration of participation. Additionally, these payments will be distributed over a 10-year period and will be administered under the oversight of a newly formed College Sports

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Commission. The Commission is also tasked with enforcing settlement terms, including the regulation of third-party NIL deals exceeding \$600.

2. Revenue Sharing

Beginning in the 2025–2026 academic year, the settlement permits institutions to share up to 22% of certain revenue, which excludes earnings from media rights, ticket sales, and scholarships, with student-athletes. Participation in this revenue-sharing model is mandatory for Power Five conference schools but is optional for non–Power Five Division I institutions.

It is important to note that the 22% cap excludes earnings from third-party NIL agreements or sponsorships secured independently by student-athletes. Institutions are responsible for determining their own allocation and distribution processes if they participate in revenue sharing. Additionally, the settlement also imposes annual financial reporting requirements, and the College Sports Commission will oversee compliance with the terms of the settlement.

3. Roster Limits and Scholarships

The settlement eliminates previous scholarship limits, allowing Division I schools to award athletic aid to all athletes on a team's roster. However, it introduces sport-specific roster caps, which apply only to institutions participating in the new revenue-sharing model. Notably, a grandfathering provision ensures that current student-athletes already on rosters will not count toward these new limits. The revised model will take effect on July 1, 2025.

4. College Sports Commission

Although not included within the settlement, it should be noted that on the same day the settlement was approved, the SEC, Big Ten, ACC, and Pac-12 launched the website for the College Sports Commission, an independent regulatory body

responsible for overseeing student-athlete compensation in the new era of collegiate athletics and student-athlete compensation. The College Sports Commission will be led by Bryan Seeley (a Major League Baseball executive) as its CEO.

Implications and Considerations

Looking forward, institutions will need to strategically budget to permit student-athlete compensation and must adapt to an evolving regulatory and financial environment. Some athletic departments have already taken such steps in anticipation of the settlement, including but not limited to establishing their athletic departments as separate for-profit organizations that are not bound by the charitable restrictions of the institutions they are attached to. Taking such action will assist their ability to raise capital and manage the portfolio of payments to student-athletes. Additionally, the settlement may widen the competitive and financial gap between Power Five schools and smaller Division I programs, considering disparities in resources and required revenue-sharing participation. Similar to the College Sports Commission, there will be a host of corollary issues that will undoubtedly further shape the landscape of college sports, including potential Title IX and student employment implications, among others.

During this critical time in college sports, Akerman will continue monitoring all developments in this space and stands ready to assist the compliance needs of colleges and universities.

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