

SETTLEMENT TO END COLLEGIATE AMATEURISM ON BRINK OF APPROVAL: WHAT YOU NEED TO KNOW ABOUT LATEST HOUSE V. NCAA COURT HEARING

Insights

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On the final day of “March Madness,” the NCAA’s attention shifted from basketball courts to the courtroom, where a federal judge signaled a high likelihood that she would sign off on a settlement agreement that would end collegiate amateurism as we know it and permit schools to pay student-athletes for the first time ever. The April 7 final approval hearing took place in Judge Claudia Wilken’s courtroom in the Northern District of California, where she heard objections to the proposed \$2.8 billion settlement in *House v. NCAA* – a pact that may soon fundamentally reshape collegiate athletics. Here’s what your athletic department needs to know about the latest step and what comes next.

Key Settlement Terms

You can read our full review of the deal [in our Insight here](#), but the key terms of the proposed settlement agreement include:

- **Financial Impact:** Approximately \$2.8 billion in damages will be paid to current and former Division I student-athletes who participated in the lawsuit. Nearly 95% of these funds will go to football and basketball athletes.
- **Revenue-Sharing Cap:** Institutions may share up to 22% of annual athletic revenues with student-athletes, capped initially at \$20.5 million in the 2025-2026 academic year. This cap will increase annually, with reevaluations every three years.

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- **Scholarship Changes and Roster Caps:** The settlement removes current scholarship limits, replacing them with roster limits. This could potentially allow programs like football to award up to 105 full scholarships, an increase from the current limit of 85. Roster caps in other sports will reduce the number of student athletes on some teams.
- **NIL Reporting Requirement:** Athletes must report third-party Name, Image, and Likeness (NIL) agreements valued at over \$600 for fair market value assessments.

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Objections and Potential Challenges

During yesterday's hearing, Judge Wilken considered several objections that could significantly influence her final decision:

- **Roster Limit Concerns:** Opponents argue that increased roster limits could negatively impact Olympic sports and walk-on athletes, forcing difficult financial and resource allocation decisions for institutions and student-athletes alike.
- **Revenue Distribution Ambiguity:** The settlement does not detail precisely how revenue-sharing funds must be distributed within athletic departments. Critics anticipate that institutions will primarily allocate resources to revenue-generating sports, raising questions about equitable distribution and program elimination.
- **Title IX and Gender Equity:** Objectors highlight potential Title IX compliance issues, especially given the absence of clear guidelines for revenue-sharing distribution. The Biden administration previously issued a fact sheet emphasizing equal NIL opportunities for male and female athletes. The Trump administration, however, [rescinded this guidance](#) in February. Clarity on compliance may ultimately require further litigation.

What Did the Judge Say?

Judge Wilken took no action to approve or reject the final settlement agreement during the hearing. Instead, she gave the parties one week to address a few of the issues raised by objectors in more detail:

- She wants the parties to address possible changes to language that would **bind future athletes** who are not

represented or currently in college.

- She wants to hear about potential changes to the **roster limits language** with the potential for a “grandfathering” clause to assist athletes who were offered roster spots before the settlement’s approval and may lose those spots once the agreement is approved.

Court observers believe that the judge’s statements made during the hearing signal a likelihood that she will ultimately approve the settlement. We’ll monitor the proceedings and provide an update immediately upon her final ruling.

Broader Context and Emerging Issues

The NCAA faces additional legal and regulatory pressures beyond *House v. NCAA*:

- **High School and Transfer Athletes:** A recent [settlement](#) between the NCAA and Tennessee and Virginia removes prohibitions on high school and transfer athletes negotiating NIL agreements prior to enrollment.
- **Eligibility and Antitrust Concerns:** A federal judge recently allowed a Vanderbilt quarterback to extend eligibility by challenging NCAA eligibility rules related to junior college playing time under antitrust laws. This led to broader eligibility waivers for similarly affected student-athletes.
- **Employee Status of Athletes:** The [Johnson v. NCAA](#) case continues to advance, asserting student-athletes should be classified as employees entitled to minimum wage and overtime protections under the Fair Labor Standards Act and state laws. Motions to dismiss are pending following the 3rd Circuit’s decision in July 2024.

Action Steps for Colleges and Universities

To proactively address these evolving issues, colleges and universities should consider the following:

1. Assess Financial Implications: Conduct financial modeling to understand potential impacts from the settlement’s revenue-sharing provisions and scholarship adjustments. Develop scenarios to ensure financial sustainability across both revenue-generating and non-revenue sports.

2. Title IX Compliance Evaluation: Proactively audit current Title IX compliance policies and practices, particularly in relation to NIL opportunities and revenue-sharing. Develop clear guidelines regarding distribution of resources among male and female athletes.

3. Enhanced NIL Oversight: Establish robust internal processes for tracking and reviewing student-athlete NIL agreements. Training for student-athletes, coaches, and athletic administrators on NIL compliance, including fair market value considerations, will be crucial to mitigate risks.

4. Legal Preparedness and Strategy: Collaborate closely with legal counsel to monitor ongoing litigation closely. Consider establishing cross-functional working groups including representatives from athletics, legal, compliance, and finance departments to stay informed and prepared for swift action as legal decisions evolve.

Conclusion

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