

Zachary Schmoll

“The Impact of Compensation for NCAA Student Athletes on NBA Draft Decisions”

The main objective of this research is to examine the influence that student-athlete compensation would have on NBA draft entry decisions. By using a binomial option pricing model to determine the value of playing additional years at the collegiate level as opposed to receiving a payout given by an expert-predicted draft position, it became obvious that convincing players who should rationally enter the NBA to remain in school takes substantial funds. It can take anywhere between \$97,155 and \$664,763, depending on the volatility rate and years remaining in college, to cause athletes to surrender their draft position when no potential value remains in returning for another year in college.

Based on these findings, from a purely financial perspective, it is virtually impossible for universities to feasibly pay their men's basketball players enough to remain in college. A possible area for future research could involve investigating the psychological impact of payment and if it actually has a greater than rational effect on draft decisions.