

<https://www.sportsbusinessjournal.com/Articles/2025/05/20/privatization-of-collegiate-athletics-begins-kentucky-announces-champions-blue-llc/>



OPINION

Privatization of collegiate athletics begins: Kentucky announces Champions Blue LLC

BY CLAY GRAYSON
05.20.2025

On April 25, the University of Kentucky announced it was moving its athletic department into a for-profit limited liability company — Champions Blue LLC. This move is in anticipation of the NCAA rule changes going into effect after Judge Claudia Wilken’s sign-off on the proposed House settlement. This is also a decisive step by Kentucky’s athletic director, Mitch Barnhart, in alignment with the university’s efforts to privatize certain functions: first in health care and now athletics. After 22 years of operating in a governmental/nonprofit model, Barnhart is banking on privatization to increase his program’s access to capital. As universities look for ways to run their athletic operations in this new era post-House, Champions Blue is a glimpse of the future.

How can a governmental university like Kentucky create a for-profit arm? Limited liability companies are known for flexibility in design, including giving owners the ability to elect how the LLC will be taxed. If there is one owner of an LLC, then the LLC can be considered “disregarded for tax purposes” in relation to its owner. That means all profits and losses of the LLC are attributed to the owner and reported on the owner’s tax return. However, the IRS will also allow the owner to elect the LLC to be taxed as a separate and independent, for-profit corporation. There’s a good chance UK will make Champions Blue an independent, for-profit LLC.

According to Kentucky, it’s implemented this strategy in its health system. The state of Kentucky is somewhat unique because its laws allow governmental universities to own for-profit companies. These laws gave the University of Kentucky the prior experience of owning own hospitals through a for-profit structure. Most state laws prohibit this. However, in those states, there’s a work-around. A governmental university may use an affiliate nonprofit to own the for-profit LLC for the benefit of the university. That creates the same effect as in Kentucky.

So how will this be an advantage for Kentucky’s program? “The strategy will provide the [athletic] department with the flexibility to unlock new revenue streams through public-private partnerships and potentially other transactions, such as real estate,” said the school in a statement. It will be interesting to see how feasible it might be to move athletic assets into Champions Blue. At Kentucky, proceeds of athletic ticket sales are pledged under a bond issuance that financed the 2015 renovation of Kroger Field. These types of financing structures are not easy to unwind and may limit what can be contributed to Champions Blue.

That said, a for-profit LLC positions Kentucky to raise capital in novel ways. As a for-profit LLC, Kentucky may sell interests in Champions Blue to others, including private equity and venture capital firms. Even with outside investment, Kentucky can design the LLC with its athletic director retaining complete control over all LLC operations.

What can Kentucky move into Champions Blue? More likely than not, Kentukcy is considering moving its athletic employees and licensing the university’s athletic multimedia

rights and branding to Champions Blue. These two elements, when moved into a for-profit structure, open a world of opportunities.

Athlete employees

The cost of human resources is significantly more expensive to run in government than in a for-profit company. Additionally, for-profit companies are not subject to caps on what they can pay employees. Caps on compensation are mandatory for governmental employees and are notoriously lower than what's seen in the for-profit marketplace for comparable work.

With the newfound ability of schools to engage student athletes directly post-House, these for-profit LLCs can function like NIL collectives. These for-profit LLCs can employ student athletes to pay them fair market value for NIL engagements. These payments would be in addition to any revenue sharing permitted under the new NCAA rules. Coaches' salaries can be run through this type of LLC without any governmental or nonprofit cap on compensation. The same is true for athletic directors and other highly compensated athletic positions. Big money ball can get bigger as privatization emerges in the collegiate landscape.

Interestingly, post-House, it's possible that owners of NIL collectives, most of which are set up as for-profit LLCs anyway, may donate their ownership in their NIL collective to the university they support. Such a move could immediately stand up a structure within the university enterprise with similar capabilities as Champions Blue. In exchange, those donors might receive preferential seating and parking rights at future university events for themselves and generations of successors to come. One might expect this to occur in the coming months as universities and owners of NIL collectives realize this opportunity and seek to mimic the Champions Blue strategy.

Athletic multimedia rights and branding

If a university were to grant to its for-profit LLC the authority to license and commercialize the university's athletic multimedia rights and branding, a few synergies could emerge to increase profitability for the athletic department. First, the university might be reducing the

use of third-party middlemen, like Learfield or JMI, to commercialize its multimedia rights. This elimination cuts out significant bottom-line costs.

The real advantage will occur, however, when these for-profit LLCs can create new multimedia deals, merging university athletic branding with student athlete NIL. Suddenly, universities will have an entity that can generate fair market value deals for student athletes, above and beyond permissible revenue sharing. Moreover, when you combine university athletic branding with student athlete NIL, you have the potential to create new value. One plus one may equal three.

Will other universities seek to adopt the Kentucky model? More likely than not, universities already have these structures in place, ready and waiting. It seems inevitable now that to compete in a post-House world, schools will need some type of for-profit arm like Champions Blue. In that sense, Kentucky is really the front-runner to publicly champion the privatization of collegiate athletics. If you doubted privatization was coming, the reality is that it's already here.

Clay M. Grayson, author of "The Philanthropist Handbook: Finding Meaning In The Endowment Of Humanity," founded Grayson Law Firm in 2018 to serve exclusively as legal counsel for nonprofit organizations.