

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



CORRECTED
FISCAL MEMORANDUM

HB 2147 – SB 2511

March 18, 2014

SUMMARY OF ORIGINAL BILL: Requires public education institutions that participate in NCAA Division I athletics or its successor organization to report the number of student-athletes who will graduate in the next fiscal year to the State Treasurer by March 1, 2015, and March 1 of each subsequent year. Requires each institution to remit one percent of its gross revenue from athletic ticket sales, merchandise, and broadcast licensing agreements to the Treasurer.

Funds remitted to the Treasurer shall be deposited into a new account called the Student Athletic Trust Fund (SATF). Monies in the SATF shall be invested by the Treasurer. Requires the Treasurer to calculate the amount of one-time payments to be made to the student athletes who graduate from a public institution by May 15, 2015, and May 15 of each subsequent year. Requires SATF payment amounts to be published on the Treasury's website. Requires the Treasurer to remit the SATF payments for student-athletes to each institution. Each institution shall remit a one-time payment to graduating student-athletes provided the student meets certain requirements.

No public institution shall be required to remit revenue to the State Treasury if compliance would result in an objectively measurable loss of revenue due to loss of membership in the NCAA or its successor organization if applicable, or loss of ability to compete in intercollegiate athletics for any other reason.

Requires the Tennessee Higher Education Commission (THEC) to direct representatives of the University of Tennessee (UT) and Tennessee Board of Regents (TBR) to request waivers or rule changes from the NCAA, or from any NCAA successor organization, that would prohibit institutions from complying with the actions envisioned in the bill. Requires THEC to report the NCAA's response to the General Assembly as soon as practicable. The effective date of the act is July 1, 2014.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – There will be a recurring decrease in funds available to the University of Tennessee athletic program estimated to exceed \$539,400, and a recurring decrease in funds available to various athletic programs of Tennessee Board of Regents Institutions estimated to exceed \$185,500. Additionally, there will be a recurring increase in revenue allocated to the newly-created Student Athletic Trust Fund (SATF) estimated to exceed \$724,900. Expenditures from the SATF are dependent upon several unknown factors such as the extent of interest

HB 2147 – SB 2511

earnings and the extent of qualifying graduating student-athletes; however, the recurring expenditures from the SATF are reasonably estimated to exceed \$500,000, up to the maximum amount of funding available in the SATF in any given fiscal year.

SUMMARY OF AMENDMENTS (013041, 014440): Amendment 013041 deletes all language of the original bill. Requires each public four-year postsecondary institution that participates in intercollegiate athletics to report to the State Treasurer by March 1, 2017 and March 1 annually thereafter, the number of student-athletes who participate in each tier of Division I intercollegiate athletics. Each student-athlete shall only be counted once. Requires public education institutions that participate in NCAA Division I athletics or its successor organization to report the number of student-athletes who will graduate in the next fiscal year to the State Treasurer by March 1, 2015, and by March 1 of each subsequent year. Requires each institution to remit one percent of its gross revenue from athletic ticket sales, merchandise, and broadcast licensing agreements to the Treasurer. Establishes the Student-Athlete Graduation Grant Fund (SAGGF) as a special account. Beginning 2019, the Treasurer shall remit from the principal balance of the fund, a payment to each public four-year postsecondary institution in an amount equal to the amount that the institution paid into the SAGGF for the past four calendar years. Requires the Treasurer to calculate the amount of graduation grants that shall be made available to student-athletes and prohibits the maximum grant amount that shall be paid for a Tier I sport from exceeding \$50,000 and from exceeding \$25,000 for a Tier II sport. Requires the Treasurer to begin paying remittances to post-secondary institutions on June 30, 2017 and annually thereafter, for the purpose of paying grants to student-athletes. Beginning on January 1, 2018, each public postsecondary institution shall pay a graduation grant to all students who apply for a grant, provided eligibility requirements are met. Sets forth the procedure for paying of grants to student-athletes who transferred to a Tennessee public postsecondary institution. Graduation grants shall not be made until an individual has completed all graduation requirements. If a public postsecondary institution does not expend the full amount of the payments allotted to them for payment of a graduation grant, the unexpended funds shall be returned to the SAGGF.

Amendment 014440 requires the Treasurer to provide written notice to the Chairs of the Education Committees of the General Assembly if the principal in the SAGGF reaches an amount that the Treasurer believes is sufficient to perpetually fund the student-athlete graduation grants without requiring annual remittances by the universities from their athletic revenue.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

On March 18, 2014, a fiscal memorandum was issued for this amendment with the following estimated fiscal impact:

Other Fiscal Impact – There will be a recurring decrease in funds available to the University of Tennessee athletic program estimated to exceed \$539,400, and a recurring decrease in funds available to various athletic programs of Tennessee Board of Regents Institutions estimated to exceed \$185,500. Additionally, there will be a recurring increase in revenue allocated to the newly-created Student-Athlete Graduation Grant Fund (SAGGF) estimated to exceed \$724,900. Expenditures from the SAGGF are dependent upon several unknown factors such as the extent of interest earnings and the extent of qualifying graduating student-athletes; however, the recurring expenditures from the SAGGF are reasonably estimated to exceed \$500,000 per year, up to the maximum amount of funding available in the SAGGF in any given fiscal year.

On March 18, after additional review of the bill as amended, the fiscal impact was determined to be in error. Payments made by universities will be returned to them and the student athlete grants will be paid from the interest earned from the principal payments. The fiscal impact has been corrected to show this return. The assumptions are unchanged.

(CORRECTED)

Other Fiscal Impact - There will be a recurring decrease in funds available to the University of Tennessee athletic program estimated to exceed \$539,400, and a recurring decrease in funds available to various athletic programs of Tennessee Board of Regents Institutions estimated to exceed \$185,500. Additionally, there will be an increase in revenue allocated to the newly-created Student-Athlete Graduation Grant Fund (SAGGF) estimated to exceed \$724,900. Expenditures from the SAGGF are dependent upon several unknown factors such as the extent of interest earnings and the extent of qualifying graduating student-athletes; however, the recurring expenditures from the SAGGF are reasonably estimated to exceed \$100,000, up to the maximum amount of funding available in the SAGGF in any given fiscal year.

Beginning in 2019, universities will begin to receive annual payments from the SAGGF for principal payments made to the SAGGF four years prior. In 2019, the payment back to the universities is estimated to exceed \$500,000.

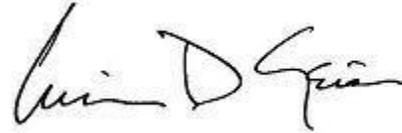
Assumptions for the bill as amended:

- According to TBR, the total athletic revenue generated from ticket sales, merchandise, and broadcast licensing in FY10-11 was \$18,546,051.
- A total of one percent or \$185,461 ($\$18,546,051 \times 1.0\%$) would have been remitted to the SAGGF under the provisions of this bill as amended.
- According to UT, the total athletic revenue generated from ticket sales, merchandise, and broadcast licensing in FY10-11 was \$53,940,245.

- A total of one percent or \$539,402 ($\$53,940,245 \times 1.0\%$) would have been remitted to the SAGGF under the provisions of this bill as amended.
- It is reasonably estimated that athletic revenue has increased since FY10-11. As a result, the total amount that will be remitted to the SAGGF in FY14-15 and subsequent fiscal years is reasonably estimated to exceed \$724,863 ($\$185,461 + \$539,402$).
- The extent of subsequent expenditures from the SAGGF is dependent on several unknown factors such as the extent of interest earnings on the fund and the extent of qualifying graduating student-athletes; however, the recurring expenditures from the SAGGF is reasonably estimated to exceed \$100,000, up to the maximum amount of funding available in the SAGGF in any given year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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