

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 597 - SB 1155

March 23, 2015

SUMMARY OF BILL: Requires each public four-year postsecondary institution that participates in intercollegiate athletics to report to the State Treasurer by March 1, 2018, 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, 2016 and March 1 of each subsequent year. Requires each four-year 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 in 2020, 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 payment that the institution paid into the SAGGF for the calendar year that is four years prior to 2020.

Requires the Treasurer to calculate the amount of graduation grants that shall be made available to student-athletes and prohibits the maximum amount of grant payments 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, 2018 and annually thereafter, for the purpose of paying grants to student-athletes. Beginning on January 1, 2019, each participating public postsecondary institution shall pay a graduation grant to eligible students who apply for a grant.

Sets forth the procedure for paying 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 does not expend the full amount of the payments allotted to them for payments of graduation grants, the unexpended funds shall be returned to the SAGGF. The Treasurer shall 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.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue –
Exceeds \$736,900/SAGGF/FY15-16 and Subsequent Years**

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Increase State Expenditures –

Exceeds \$736,900/UT and TBR/FY15-16 and Subsequent Years

Exceeds \$700,000/SAGGF/FY18-19 and Subsequent Years

Other Fiscal Impact – Beginning in 2020, universities will begin to receive annual payments from the Student-Athlete Graduation Grant Fund (SAGGF) for principal payments made to the SAGGF four years prior. Beginning in 2020, the recurring payment back to the universities is estimated to exceed \$700,000.

Assumptions:

- Based on information provided by the Tennessee Board of Regents (TBR), the total athletic fund revenue generated from ticket sales, merchandise, and broadcast licensing in FY13-14 was \$19,475,327.
- A total of one percent or \$194,753 ($\$19,475,327 \times 1.0\%$) would have been remitted to the SAGGF under the provisions of the bill.
- Based on information from the University of Tennessee (UT), the total athletic revenue generated from ticket sales, merchandise, and broadcast licensing in FY12-13 was \$54,216,396.
- A total of one percent or \$542,164 ($\$54,216,396 \times 1.0\%$) would have been remitted to the SAGGF under the provisions of the bill.
- It is reasonably estimated that athletic revenue will increase in FY15-16 and subsequent years. As a result, the total amount that will be remitted to the SAGGF in FY15-16 and subsequent years is estimated to exceed \$736,917 ($\$194,753 + \$542,164$).
- The extent of expenditures from the SAGGF is dependent upon several unknown factors, including but not limited to, the extent of interest earnings on the fund; the number of qualifying graduating student-athletes; and the number of eligible graduates who will qualify from each tier. However, the extent of grants paid from the SAGGF are presumed to be relatively close to the annual amount deposited to the fund based on the funding mechanism established in Section 5 of the bill. As a result, the recurring expenditures from the SAGGF are reasonably estimated to exceed \$700,000 beginning in FY18-19.
- In 2020, universities will receive a part of their principal payment back from their payments into the SAGGF. This payment is estimated to exceed \$736,917 beginning in FY19-20.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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