

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1451 – SB 1923

January 29, 2016

SUMMARY OF BILL: Requires all intercollegiate women’s athletic teams at the University of Tennessee Knoxville (UTK) to be recognized as the “Lady Volunteers” or “Lady Vols” for all official purposes, including marketing and public relations; and requires the use of the traditional Lady Vols logo and colors.

ESTIMATED FISCAL IMPACT:

On January 25, 2016, a fiscal note was issued for this bill with the following estimated fiscal impact:

Increase State Expenditures - \$221,700/One-Time/UTK

Other Fiscal Impact – Additionally, there will either be a one-time increase in state expenditures or a one-time decrease in licensing fee revenue in an estimated amount of \$135,400 depending on the agreement between UTK and Nike to replace certain uniforms and apparel.

On January 27, 2016, additional information was received from the University of Tennessee-Knoxville regarding the university’s contract with NIKE-USA with respect to replacing uniforms and apparel. The one-time replacement of the uniforms and apparel would be outside the contract’s current scope of services; as thus would require a one-time payment from the University to Nike. Based on this information, the fiscal impact was determined to be in error and has been corrected. The corrected fiscal impact is estimated as follows:

(CORRECTED)

Increase State Expenditures - \$357,100/One-Time/UTK Athletic Department

Corrected Assumptions:

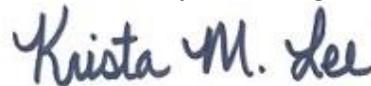
- According to the UTK-NIKE USA (Nike) All-Sport Agreement, Nike provided \$3,600,000 in apparel and other gear in FY15-16 to coincide with the initial rebranding and apparel provision (including team uniforms) for all of UTK intercollegiate sports teams, with the exception of rebranding the women’s basketball team which continued to be known as the Lady Vols.

HB 1642 - SB 1654 (CORRECTED)

- In FY16-17, Nike shall provide \$2,600,000 in aggregate value of supplied Nike products including apparel and uniforms.
- Changing the UTK women's intercollegiate teams to a different brand name will be done outside the scope of the current contract. These changes may require additional negotiations between UTK and Nike.
- According to UTK, all women's athletic teams other than basketball would need to change any items and materials that contain the team's name or logo in FY16-17. This includes but is not limited to uniforms, signage, apparel, murals, promotional items, locker room/office décor, and playing field logos.
- Based on information from UTK, all of the above items are replaced on a cyclical basis, but all are not on the same replacement cycle.
- Team uniforms are replaced every one to four years and 65 percent of provided apparel is replaced annually. Other items such as murals and facility-related items are replaced on a longer term cycle.
- Based on information from UTK, the total cost to replace team uniforms and other apparel is \$386,848. This estimate assumes that 65 percent of uniforms and apparel would have been replaced in FY16-17 in the normal course of business; a cost of \$251,451 ($\$386,848 \times 65\%$). The one-time cost of uniform and apparel replacement that would be paid from UTK's athletic department budget is estimated to be \$135,397 ($\$386,848 - \$251,451$).
- Based on information from UTK, the one-time increase in expenditures from UTK's athletic department budget to replace other items, not including uniforms and apparel, is estimated to be \$221,722.
- The total one-time increase in expenditures from the UTK athletic department budget is estimated to be \$357,119 ($\$135,397 + \$221,722$).
- UTK has provided a detailed spreadsheet of replacement costs for all necessary items. For the purpose of brevity, these individual costs and calculations have been omitted from this fiscal estimate. However, this information is on file with Fiscal Review Committee staff and is available upon request.

CERTIFICATION:

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



Krista M. Lee, Executive Director

/rbp