

## Department of Planning and Budget 2015 Fiscal Impact Statement

**1. Bill Number:** HB 1897

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

**2. Patron:** Delegate Cox

**3. Committee:** Passed Both Houses

**4. Title:** Limit amount of support for intercollegiate athletics by school funds and student fees and establish the Intercollegiate Athletics Review Commission

**5. Summary:** This legislation prohibits the sum of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenue at each of Virginia's public four-year institutions of higher education depending upon its National Collegiate Athletic Association (NCAA) divisional classification. As of the beginning of FY 2017, any institution that violates this prohibition will be required to submit to the Governor and the General Assembly a five-year plan for coming into compliance. The Auditor of Public Accounts will be responsible for monitoring the plan's progress. Failure by any institution to meet its plan's progress requirements will result in a reduction or elimination of existing operational authority granted through the Restructured Higher Education Financial and Administrative Operations Act as determined by the Governor or General Assembly.

This legislation also requires that the board of visitors of any public four-year institution of higher education submit to the Intercollegiate Athletics Review Commission (IARC) a plan for adding a major intercollegiate athletics program or changing the division level of any existing intercollegiate athletics programs along with recommendations for financing the addition or change. Institutions will not be permitted to implement such changes without the General Assembly's approval through the Appropriation Act. The institution cannot undertake any such addition or agree to a change until the IARC has rendered its findings and recommendations. The board of visitors of any institution that adds a non-major intercollegiate athletics program will be required to report its decision within 15 days of the action.

The IARC, a legislative advisory commission, will consist of 11 voting members: the chair of the House Committee on Appropriations (HCA), or his designee, and three HCA members, the chair of the Senate Committee on Finance (SCF), or his designee, and two SCF members. It will also consist of four ex officio, nonvoting members: the Auditor of Public Accounts, the Secretaries of Education and Finance, and the Director of the State Council of Higher Education for Virginia (SCHEV). The IARC will be served by the HCA, SCF, and SCHEV staffs.

The second enactment clause classifies Old Dominion University as a Division I-AA institution until July 1, 2020. If the university operates a Division I-A football program as of July 1, 2020, it will subsequently be classified as a Division I-A institution. The third enactment clause classifies the University of Virginia's College at Wise as a Division III institution until July 1, 2020. However, if the college becomes a full member of the NCAA Division II athletic program by July 1, 2020, then it will be considered a Division II institution. The fourth enactment clause makes this legislation effective on July 1, 2016.

**6. Budget Amendment Necessary:** No. This legislation does not become effective until FY 2017.

**7. Fiscal Impact Estimates:** Final (see Section 8)

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	\$0	0.0	GF
2016	\$0	0.0	GF
2017	\$35,000	0.5	GF
2018	\$35,000	0.5	GF
2018	\$35,000	0.5	GF
2020	\$35,000	0.5	GF
2021	\$35,000	0.5	GF

**8. Fiscal Implications:** The only identified fiscal impact resulting from this legislation is the need for an additional one-half of one position and \$35,000 per year to support the work being required of the Auditor of Public Accounts (APA) beginning in FY 2017. Given that the APA's current staffing levels are low, if the additional funding is not provided, current responsibilities will need to be reprioritized in order to implement this bill's requirements. Regarding the staffing of the IARC, the assumption will be that current staff will support the work of the commission within their agencies' existing resources.

In addition to the increased workload for the APA, this bill also provides IARC members compensation and reimbursement of expenses as stipulated in the Appropriation Act. Since there is no way to know how many meetings or how much travel will be involved for the members of the IARC, it is difficult to estimate the exact costs associated with this legislation.

However, legislators who are appointed to serve on the IARC will be reimbursed at a rate of \$200 per day unless the IARC convenes during a legislative session. Commission members, who are appointed at the state level, are compensated at the rate of \$50 per day. Lodging, parking, and necessary travel expenses will be reimbursed at rates set forth under the regulations established by the State Comptroller and the Appropriation Act. Each time the IARC meets outside of Richmond and not during the legislative session, the resulting cost could be at a minimum approximately \$4,500. This estimate assumes an average of 200 miles traveled per member, one overnight of lodging at \$100, and one day's worth of meals at \$50 per day.

Some institutions include athletic facility debt service in their athletic fees while others do not. This legislation requires a standardized reporting format for institutions to report intercollegiate athletic revenues and expenses and fee classifications. Standardized reporting will allow students to see what their payments support and enable comparisons with similar programs at other institutions. Furthermore, this bill could save students money if it succeeds in reducing or limiting athletic fees that would have continued to increase in its absence.

Institutions of higher education with lucrative revenue contracts through their conferences, strong fundraising mechanisms, and/or affluent alumni should be able to comply with this legislation's requirements. On the other hand, those with smaller athletic programs that cannot generate sufficient revenues and have limited fundraising ability are more likely to submit five-year compliance plans. The worst case scenario might see some institutions eliminate athletic programs that are either expensive to maintain or do not produce revenue or consider moving to a lower NCAA division.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia's public four-year institutions of higher education, House Committee on Appropriations, Senate Committee on Finance, Auditor of Public Accounts, Secretary of Finance, Secretary of Education, State Comptroller, Department of Accounts, Department of Planning and Budget, and State Council of Higher Education for Virginia

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 03/12/15 sas

**Document:** f:\ga sessions\2015\fiscal impact statements\hb1897er.docx

c: Secretary of Education