



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Fiscal Note

**Short Title:** Accountability and Fair Play in Athletics.  
**Bill Number:** House Bill 91 (Sixth Edition)  
**Sponsor(s):**

### SUMMARY TABLE

FISCAL IMPACT OF H.B. 91, V.6 (\$ in millions)												
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26			
<b>State Impact</b>												
General Fund Revenue	0.2	to	4.0	0.2	to	4.0	0.2	to	4.0	0.2	to	4.0
Less Expenditures	<u>0.2</u>	to	<u>4.0</u>	<u>0.2</u>	to	<u>4.0</u>	<u>0.2</u>	to	<u>4.0</u>	<u>0.2</u>	to	<u>4.0</u>
<b>General Fund Impact</b>	-	to	-	-	to	-	-	to	-	-	to	-
<b>NET STATE IMPACT</b>												
	-	to	-	-	to	-	-	to	-	-	to	-
<b>Local Impact</b>												
Local Revenue	-	to	-	-	to	-	-	to	-	-	to	-
Less Local Expenditures	-	to	(4.9)	-	to	(0.1)	-	to	(0.2)	-	to	(0.4)
<b>NET LOCAL IMPACT</b>												
Likely Significant Budget Savings - Refer to Fiscal Analysis section												
<b>STATE POSITIONS</b>												
	2.00	to	19.00	2.00	to	19.00	2.00	to	19.00	2.00	to	19.00

### FISCAL IMPACT SUMMARY

H.B. 91 allows the State Board of Education (SBE) to enter into a memorandum of understanding (MOU) with a nonprofit organization to administer high school interscholastic activities. A MOU would likely not result in any fiscal impact to the state. Should the SBE choose not to enter into a MOU, the bill requires the SBE to assign administration of high school athletics to the Department of Public Instruction (DPI). The cost to the State of DPI assuming these responsibilities would be approximately \$3.8 million and would be offset by fees.

The bill changes the fees that the administering organization can charge to participating schools in some situations and caps the net proceeds from playoff games that the administering organization can retain. These changes would lower local expenditures and increase schools' receipts.

The bill also requires the Commissioner of Insurance to offer catastrophic insurance for students or school personnel participating in interscholastic athletic activities. The cost to the Department of Insurance (DOI) for collecting premiums and administering the additional coverage for public schools is approximately \$202,400. In keeping with current DOI practice, this analysis assumes the cost of administering the coverage would be offset by a portion of the premiums to be collected by DOI.

## **FISCAL ANALYSIS**

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### **Administration of High School Interscholastic Athletic Activities**

The bill allows the SBE to sign a MOU with a nonprofit organization to administer high school interscholastic athletic activities. If it does not do so, the SBE shall assign the administration of these activities to DPI. The cost of administering high school interscholastic athletics has been covered in the past by receipts. If the SBE signs a MOU with a nonprofit, there would be no cost to the State. If DPI was assigned these duties, there could be some short-term costs to the State until receipts were collected to cover these costs. The bill does, however, allow for SBE to use emergency rulemaking to collect fees should a MOU unexpectedly end.

This analysis uses the fiscal year 2019-20 IRS Form 990 for the existing North Carolina High School Athletic Association (“the Association”) to estimate the costs required for staffing and operations necessary should DPI assume administration of high school interscholastic athletic activities. It is assumed that the Association’s 2019-20 expenses reported in its IRS Form 990 are consistent with typical spending and were not impacted significantly by the COVID-19 pandemic. The total annual cost is estimated at \$3,870,230, which would be entirely supported by fees. The following sections describe the methodology for arriving at that estimate:

**PERSONNEL:** The Association currently has a staff of 17 individuals with total salaries of \$1,134,934. At that staffing level, salary and benefit costs for athletic administration are estimated at \$1,575,352.

**OPERATING:** The Association had operating expenses in FY 2019-20 of \$3,769,550. That amount includes operating costs that may no longer be necessary under DPI, such as lobbying (\$36,000), investment management fees (\$286,818), office space (\$286,017), and grant payments to organizations (\$921,230). In total, excluding the items listed above, the estimated non-personnel operating expenses for DPI will be \$2,239,485.

### **State Board of Education**

The bill requires the SBE to make several new rules and regulations, including student participation rules, gameplay rules, and rules on concussions and head injuries. It also requires the SBE to design a new appeals process with an independent appeals board appointed by the SBE. Costs for these measures can either be absorbed within existing funds and staffing or would be negligible.

### **Local Impact-Membership Fees**

The bill requires a MOU between the SBE and a nonprofit to specify that annual fees to participating schools will be reduced by 20 percent when the total fund balance of the nonprofit reaches 250 percent of its total expenses from the prior fiscal year.

If the SBE signs a MOU with the Association, it is likely this provision will come into effect. The 2019-20 IRS Form 990 for the Association states that total expenses were \$5,146,619. Net assets or fund balances were \$40,430,627. In FY 2019-20, the Association’s Audited Financial Statements show that \$488,985 was collected in membership dues. A 20 percent reduction in these dues would be \$97,797, which would result in savings to the local education agencies (LEAs) that pay

these dues. Depending on how much of the fund balance was expended in various years, the fees could decrease by up to approximately \$400,000 in four years. In addition, the bill requires that if the SBE signs a MOU with the Association, membership fees be waived in FY 2021-22. This requirement would lead to a savings to local entities of \$488,985.

If the SBE signs a MOU a different nonprofit organization, or if DPI becomes the administering organization, the effect on membership fees cannot be estimated.

**Local Impact-Playoff Revenues**

The bill also sets the maximum amount that the administering organization can retain from a State tournament game at 33 percent of net proceeds and restricts the administering organization from retaining any proceeds from regional playoffs. According to the Association’s FY 2021-22 Handbook, the Association retains between 15 percent to 60 percent of net proceeds from playoff games, depending on the sport and playoff round. Without a detailed accounting of net proceeds from each sport, the exact amount of savings each LEA would receive cannot be estimated.

The following are the percentages of net proceeds that the Association would retain for each State Championship according to their FY 2021-22 Handbook:

State Championship Net Proceeds Retained by NCSHAA, FY 2020-21	
Sport	Percentage
Baseball	60%
Basketball	60%
Football	60%
Lacrosse	60%
Soccer	60%
Softball	60%
Tennis-Dual Team	25%
Volleyball	60%
Wrestling	60%

The bill would require the maximum net proceeds retained to be capped at 33 percent.

In addition, the Association would currently retain the following percentages of regional playoff net proceeds:

Regional Playoffs Net Proceed Retention by NCSHAA, FY 2020-21	
Event	Percentage
Baseball Rounds 2, 3, and 4	15%
Baseball Regional Playoffs	25%
Basketball Rounds 1, 2, 3, and 4	15%
Basketball Regional Playoffs	60%
Football Rounds 1, 2, 3, and 4	15%

Football Regional Playoffs	60%
Lacrosse Rounds 2, 3, and 4	15%
Lacrosse Regional Playoffs	25%
Soccer Rounds 2, 3, and 4	15%
Soccer Regional Playoffs	25%
Softball Rounds 2, 3, and 4	15%
Softball Regional Playoffs	25%
Volleyball Rounds 2, 3, and 4	15%
Volleyball Regional Playoffs	25%
Wrestling Rounds 3, 4 and Regional Playoffs	25%

These receipts would be eliminated under HB 91.

In FY 2019-20, most spring playoff games were not held due to the COVID-19 pandemic. In FY 2018-19, the Association’s Audited Financial Statements indicate that it received \$1.6 million in playoff receipts.

**Catastrophic Insurance**

Part III of the bill requires the Commissioner of Insurance to make available catastrophic insurance coverage for interscholastic athletic activities and to set and collect premiums for that coverage.

Assuming a significant number of public schools choose to purchase the coverage made available by DOI, the projected cost to implement Part III is approximately \$202,400 for 2.0 FTE program staff and associated operating costs to collect premiums and administer the coverage. The additional cost would be fully offset by a portion of the premiums collected by DOI.

**TECHNICAL CONSIDERATIONS**

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N/A.

**DATA SOURCES**

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NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION FISCAL YEAR 2019-20 IRS FORM 990  
 NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019  
 NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION HANDBOOK, 2021-2022 EDITION

**LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected

direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

**CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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**Signed copy located in the NCGA Principal Clerk's Offices**