The Florida Senate BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Education								
BILL:	SB 646							
INTRODUCER:	Senator Mayfield							
SUBJECT:	Postsecondary Student Athletes							
DATE:	February 7,	2020	REVISED:					
ANALYST		STAFF	DIRECTOR	REFERENCE	ACTION			
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I. Summary:

SB 646, the "Student Athlete Achievement Act," establishes protections for a student athlete to earn compensation as a result of the use of the student athlete's name, image, or likeness (NIL). Specifically, the bill:

- Authorizes a minor who is a student athlete to enter into a contract to license his or her NIL while participating in intercollegiate athletics.
- Prohibits a postsecondary educational institution from preventing a student athlete from earning compensation for use of the student athlete's NIL.
- Prohibits an athletic association, conference, group, or organization from preventing a student athlete from earning compensation for use of the student athlete's NIL.
- Specifies requirements and restrictions for student athlete contracts concerning the use of a student athlete's NIL.

The bill has no impact on state revenues or expenditures. The bill may have a negative, indeterminate fiscal impact on postsecondary educational institutions.

The bill takes effect July 1, 2020.

II. Present Situation:

National Collegiate Athletic Association

The National Collegiate Athletic Association (NCAA) is a nonprofit organization comprised of voluntary members, including colleges and universities, athletic conferences, and affiliated organizations. As the governing and regulatory body for the majority of intercollegiate athletic

programs for Division I, Division II, and Division III sports, the NCAA describes its basic purpose as maintaining and retaining:¹

- Intercollegiate athletics as integral to educational programs;
- Athletes as integral to student bodies; and
- A clear line of demarcation between intercollegiate athletics and professional sports.

The NCAA issues and enforces rules governing athletic competitions for member schools. The rules are developed by a governance system in which members introduce and vote on proposed rules, which vary for student athletes by division.

Amateurism and Eligibility

Student athletes must receive amateurism certification before they are deemed eligible to compete in intercollegiate athletics. The NCAA defines the principle of amateurism such that student athletes must be amateurs who should be:²

- Motivated primarily by education and the derived physical, mental, and social benefits of intercollegiate athletic participation; and
- Protected from exploitation by professional and commercial enterprises.

A student athlete can lose amateur status as determined by the NCAA through, among other activities:³

- Receiving payments from a sports team to participate;
- Using a recruiting agency, agent, or scouting service;
- Accepting prize money based on performance;
- Being represented or marketed by a professional sports agent; or
- Promoting or endorsing a commercial product or service.

Compensation for Student Athletes

The NCAA, along with member colleges and universities, awards nearly \$3.5 billion in athletic scholarships every year to more than 180,000 student athletes.⁴ The NCAA also provides almost \$100 million each year to support student athletes' academic pursuits and assist with basic needs of college life, such as computers, clothing, or emergency travel expenses.⁵

Student athletes are permitted to receive scholarships or grants-in-aid from individual postsecondary educational institutions, ⁶ which may cover the cost of tuition and fees, books and

¹ NCAA Bylaw 1.3.1, *Division I Manual 2019-20 NCAA* (Jan. 28, 2020), *available at* https://web3.ncaa.org/lsdbi/reports/getReport/90008, at 1.

² NCAA Bylaw 2.9, *Division I Manual*, *supra* note 1, at 3.

³ NCAA, *Amateurism*, http://www.ncaa.org/student-athletes/future/amateurism (last visited Jan. 27, 2020); NCAA Bylaw 12.1.2, *Division I Manual*, *supra* note 1, at 63-68.

⁴ NCAA, Big East Conference Commissioner Val Ackerman and Ohio State Athletic Director Gene Smith, *Statement from Federal and State Legislation Working Group co-chairs on name, image and likeness efforts* (Jan. 23, 2020), *available at* http://www.ncaa.org/about/resources/media-center/news/statement-federal-and-state-legislation-working-group-co-chairs-name-image-and-likeness-efforts.

⁵ NCAA, Finances, https://www.ncaa.org/about/resources/finances (last visited Jan. 28, 2020).

⁶ NCAA, NCAA Recruiting Facts, http://www.ncaa.org/sites/default/files/Recruiting%20Fact%20Sheet%20WEB.pdf, (last visited Jan. 28, 2020).

supplies, room and board, transportation, and personal expenses.⁷ However, a student athlete's grant-in-aid must not exceed the cost of attendance at the student athlete's institution.⁸

Penalties for violation of NCAA bylaws may include financial sanctions, repayment of moneys received from competition, forfeiture of contents, and expulsion from the association.⁹

Name, Image, and Likeness (NIL)

NCAA rules prohibit student athletes from receiving compensation for the use of the student athlete's name, image, or likeness (NIL) to advertise or promote the sale or use of any kind of commercial product of service. Student athletes who use their NIL to promote sale or use of a commercial product or service are held ineligible to participate in intercollegiate athletics. The NCAA has cited concerns about the potentially harmful consequences of increased access to compensation or other features related to NIL for potential student athletes in the recruiting process. The process of the student athletes in the recruiting process.

On October 28, 2019, the NCAA Board of Governors voted to permit students participating in intercollegiate athletics to benefit from the use of their NIL in a manner consistent with the collegiate model. The Board of Governors directed each of the NCAA's three divisions to consider updates to relevant bylaws and policies, with the addition of new rules no later than January 2021. On January 23, 2020, representatives of the NCAA voiced concerns about harmful influences and effects relating to use of NIL, particularly regarding recruitment and national parity in intercollegiate athletics. The Federal and State Legislation Working Group will provide ongoing guidance to members of the NCAA on modifications to permitted uses of a student athlete's NIL.

Representation of Student Athletes

A student athlete is defined as a student whose enrollment was solicited by a member of the athletics staff or other representative of athletics interests with a view toward the student's ultimate participation in the intercollegiate athletics program.¹⁷ Under NCAA rules student athletes are not permitted to agree to be represented by an agent or organization to market the

⁷ Office of Student Financial Assistance, *Financial Aid Terms and Definitions*, https://www.floridastudentfinancialaidsg.org/pdf/TermsAndDefinitions.pdf (last visited Jan. 28, 2020), at 2.

⁸ NCAA Bylaw 2.13, *Division I Manual*, *supra* note 1, at 3.

⁹ See Division I Manual, supra note 1.

¹⁰ NCAA Bylaws 12.4.2.3, 12.5.1.3, and 12.5.2.1, *Division I Manual*, *supra* note 1, at 74, 75, and 77.

¹¹ NCAA Bylaw 12.5.2.1, *Division I Manual*, *supra* note 1, at 77.

¹² NCAA, Statement from Federal and State Legislation Working Group co-chairs on name, image and likeness efforts, supra note 4.

¹³ NCAA, *Board of Governors starts process to enhance name, image and likeness opportunities* (October 29, 2019), *available at* http://www.ncaa.org/about/resources/media-center/news/board-governors-starts-process-enhance-name-image-and-likeness-opportunities.

¹⁴ State University System of Florida, Agency Bill Analysis for SB 646 (2020), at 2.

¹⁵ Statement from Federal and State Legislation Working Group co-chairs on name, image and likeness efforts, supra note 4. ¹⁶ Id.

¹⁷ NCAA Bylaw 12.02.14, *Division I Manual*, *supra* note 1, at 62. Any other student becomes a student athlete only when the student reports for an intercollegiate squad that is under the jurisdiction of the athletics department. *Id.* Florida law defines student athlete as any student who participates or formally intends to participate in intercollegiate athletics. Section 468.452(5), F.S.

student athlete's ability or reputation until the completion of the student athlete's last intercollegiate contest. NCAA rules also forbid a student athlete or his or her representative from negotiating or signing a playing contract in any sport in which the student athlete intends to compete, or marketing the student athlete's name or image.

Contracts for Minors

A contract made or proposed to be made by a minor, or a minor's parent or guardian, under which the minor is to perform or render artistic or creative services, may be approved by the probate division of the circuit court, or any other division of the circuit court that has guardianship jurisdiction, where the minor is a resident of this state or the services of the minor are to be performed or rendered in this state.¹⁸

Licensing of Athlete Agents

The licensing and regulation of athlete agents in Florida is a state government function administered by the Department of Business and Professional Regulation (DBPR), which processes licenses and responds to consumer complaints and inquiries in addition to monitoring activities and compliance within the athlete agent industry. An athlete agent is a person who:¹⁹

- Recruits or solicits a student athlete to enter into an agent contract, directly or indirectly;
- Procures, offers, promises, or attempts to obtain employment or promotional fees or benefits for a student athlete with a professional sports team or as a professional athlete, for any type of financial gain; or
- Markets or attempts to market the student athlete's athletic ability or athletic reputation with any promoter.

An agent contract is the contract or agreement in which a student athlete authorizes an athlete agent to represent the student in the marketing of the student's athletic ability or athletic reputation.²⁰ In order to be valid, such contract is specifically required to include any fees paid to the agent and indicate how such fees are calculated. The athlete agent is also required to follow certain procedures during the contracting process, such as alerting the athletic director of the educational institution of the existence of the agent contract. The contracts are generally voidable by the student athlete within 14 days of execution.²¹

In order to be licensed as an athlete agent, an applicant must be at least 18 years of age, of good moral character, and have completed the application form with fingerprints for a background check. Applicants must remit to DBPR an initial application fee of \$250, an initial licensure fee of \$375, an unlicensed activity fee of \$5, and a biennial renewal fee of \$220.²²

¹⁸ Section 743.08, F.S.

¹⁹ Section 468.452(2), F.S.

²⁰ Section 468.452(1), F.S.

²¹ Section 468.454, F.S.

²² Rule 61-24.004, F.A.C.

Athlete agents must establish and maintain complete business and financial records, ²³ and athlete agents are subject to disciplinary action for violating practice requirements, including:

- Commingling money or property of another person with the athlete agent's money or property.²⁴
- Committing mismanagement or misconduct which causes financial harm to a student athlete or college or university.²⁵
- Violating or aiding and abetting another person to violate the rules of the athletic conference or collegiate athletic association governing a student athlete or student athlete's college or university.²⁶

An unlicensed person is generally prohibited from acting as an athlete agent.²⁷ However, an unlicensed individual may act as an athlete agent if:²⁸

- A student athlete or person acting on the student athlete's behalf initiates communication with the individual; and
- The individual submits an application for licensure within seven days after an initial act as an athlete agent.

In the 2018-2019 fiscal year, there were 321 licensed athlete agents in Florida.

Intercollegiate Athletic Programs in Florida

Athletic programs in Florida include NCAA Divisions I and II, the National Junior College Athletic Association (NJCAA), the National Association of Intercollegiate Athletics (NAIA), and the National Christian College Athletic Association (NCCAA).²⁹ The number of schools in each program includes:

- 13 schools in NCAA Division I.
- 13 schools in NCAA Division II.
- 25 institutions in the NJCAA.
- 10 institutions in the NAIA.
- 3 institutions in the NCCAA.

The NCAA has levied 30 penalties against Division 1 universities in Florida since 1955. Recent sanctions include recruitment violations at the University of Central Florida in 2010, 2012, and 2019, and improper designations of student eligibility at Florida Agricultural and Mechanical University in 2019.

²³ See s. 468.4565, F.S. DBPR has the right to full inspection of such records and may exercise its subpoena powers to obtain the financial and business records of an athlete agent.

²⁴ Section 468.456(1)(d), F.S.

²⁵ Section 468.456(1)(h), F.S.

²⁶ Section 468.456(1)(k), F.S. In addition, s. 468.4562, F.S., establishes civil actions for institutions damaged by a national association, athletic conference, or relevant entity on account of actions by an agent or student athlete.

²⁷ Section 468.4561, F.S.

²⁸ Section 468.453(3), F.S.

²⁹ There are no NCAA Division III athletic programs in Florida.

Institution Name	Classification	Total Undergraduates	Total Expenses	Total Revenue	
Florida State University	FBS	29,187	\$ 167,054,375.00	\$ 177,512,950.00	
University of Florida	FBS	30,887	\$ 157,240,476.00	\$ 157,240,476.00	
University of Miami	FBS	10,134	\$ 94,723,980.00	\$ 94,723,980.00	
University of Central Florida	FBS	39,685	\$ 60,069,492.00	\$ 60,069,492.00	
University of South Florida	FBS	24,342	\$ 51,710,233.00	\$ 51,710,233.00	
Florida International University	FBS	26,210	\$ 31,172,655.00	\$ 38,240,735.00	
Florida Atlantic University	FBS	15,907	\$ 27,662,831.00	\$ 27,662,831.00	
Stetson University	FCS	2,998	\$ 19,391,731.00	\$ 19,391,731.00	
Jacksonville University	FCS	2,174	\$ 17,180,946.00	\$ 17,180,946.00	
Florida Gulf Coast University	(no football)	10,821	\$ 15,037,882.00	\$ 15,037,882.00	
Bethune-Cookman University	FCS	3,751	\$ 14,397,984.00	\$ 14,397,984.00	
University of North Florida	(no football)	10,147	\$ 11,835,623.00	\$ 12,546,853.00	
Florida A&M University	FCS	6,852	\$ 9,922,955.00	\$ 9,922,955.00	

Annual Submission of Disclosures

Each institution of higher education which receives federal funding and is attended by students receiving athletically related student aid must annually submit detailed disclosures with respect to athletically related student aid to the Secretary.³¹ The law allows a similar report required by the NCAA to substitute for the requirements of the federal report.

Recent Developments

NCAA Working Group

In 2019, the NCAA president and Board of Governors appointed a federal and state legislation working group to examine issues related to student athlete NIL and make recommendations to maintain the demarcation between professional and college sports.³² The Board of Governors charged the working group with writing a set of overarching principles to guide each division as it devises consistent legislation regarding NIL payments.³³

Legislation in Other States

California recently passed the first law of its kind allowing college athletes in the state to hire agents and earn compensation for the use of NIL, which will go into effect January, 2023.³⁴

³⁰ See generally, U.S. Department of Education, Equity in Athletics Data Analysis, https://ope.ed.gov/athletics/#/customdata/search (last visited Jan. 23, 2020).

^{31 20} U.S.C. s. 1092.

³² Michelle Brutlag Hosick, NCAA, NCAA working group to examine name, image and likeness (May 14, 2019), available at http://www.ncaa.org/about/resources/media-center/news/ncaa-working-group-examine-name-image-and-likeness.

³³ NCAA, NCAA Board of Governors Federal and State Legislation Working Group (2019), https://ncaaorg.s3.amazonaws.com/committees/ncaa/exec_boardgov/BOG_FederalStateLegWGFINAL.pdf, at 1.

³⁴ Cal. Educ. Code § 67456 (West). Legislation undertaken in the state of California does not go into effect until 2023, allowing time for consideration and alignment of NCAA bylaws and legislation in other states.

Other states including Illinois, New York, North Carolina, and Washington have proposed legislation relating to compensation for use of a student athlete's NIL,³⁵ and a federal bill is proposing to rescind tax-exempt status from any organization that denies an athlete compensation for use of NIL.³⁶

Relevant Litigation

Since 2009, numerous former college athletes have sued the NCAA for violating antitrust law by limiting the amount of compensation a college athlete may receive for performance. Courts have ruled that:

- The NCAA must allow an institution to provide an athlete with financial aid at least equal to the cost of attendance.³⁷
- The NCAA may prohibit a college athlete from contracting to profit from his or her NIL without violating antitrust law.³⁸
- A student athlete is not an employee and is not entitled to protection under the Fair Labor Standards Act.³⁹

III. Effect of Proposed Changes:

The "Student Athlete Achievement Act" establishes protections for a student athlete to earn compensation as a result of the use of the student athlete's name, image, or likeness (NIL). Specifically, the bill:

- Authorizes a minor who is a student athlete to enter into a contract to license his or her NIL while participating in intercollegiate athletics.
- Prohibits a postsecondary educational institution from preventing a student athlete from earning compensation for use of the student athlete's NIL.
- Prohibits an athletic association, conference, group, or organization from preventing a student athlete from earning compensation for use of the student athlete's NIL.
- Specifies requirements and restrictions for student athlete contracts concerning the use of a student athlete's NIL.

The bill prohibits a postsecondary educational institution from upholding any rule, requirement, standard, or other limitation that prevents a student of that institution from participating in intercollegiate athletics from earning compensation as a result of the use of the student's NIL. Earning compensation from the use of a student's NIL may not affect scholarship eligibility, and a scholarship may not be revoked as a result of the student earning compensation or obtaining related professional or legal representation. Moreover, a postsecondary educational institution may not provide or offer to provide a prospective student who may participate in intercollegiate athletics compensation in relation to the student's NIL.

³⁵ H.B. 3904, 2019 Leg. (Ill. 2019); S.B. 6722A, 2019 Leg. (N.Y. 2019); S.B. 335, 2019 Leg. (N.C. 2019); H.B. 1084, 2019 Leg. (Wash. 2019). *See also* National Conference of State Legislatures, *Pay for Play for College Athletes?* (Sept. 30, 2019), https://www.ncsl.org/blog/2019/09/30/pay-for-play-for-college-athletes.aspx.

³⁶ H.R. 1804, 116th Cong. (2019).

³⁷ O'Bannon v. Nat'l Collegiate Athletic Ass'n, 802 F.3d 1049 (9th Cir. 2015).

 $^{^{38}}$ Id.

³⁹ Berger v. Nat'l Collegiate Athletic Ass'n, 843 F.3d 285, 293 (7th Cir. 2016).

⁴⁰ A scholarship that meets the cost of attendance is not considered compensation for NIL.

The bill specifies that an athletic association, conference, or other group or organization with authority over intercollegiate athletics, including the National Collegiate Athletic Association, may not:

- Prevent a student athlete from earning compensation as a result of use of the student's NIL;
- Prevent a postsecondary educational institution from participating in intercollegiate athletics as a result of compensation of a student athlete for the use of the student's NIL; or
- Provide or offer to provide a prospective student who may participate in intercollegiate athletics with compensation in relation to the student's NIL.

A postsecondary educational institution, athletic association, conference, or other group or organization with authority over intercollegiate athletics may not prevent a student athlete in this state from obtaining professional representation in relation to contracts or legal matters, including, but not limited to, representation provided by an athlete agent or legal representation provided by an attorney, as follows:

- Professional representation obtained by a student athlete must be from persons licensed by the state.⁴¹ An attorney representing a student athlete for purposes of earning compensation as a result of a third party's use of the student's NIL must be licensed to practice in the state and a member in good standing with The Florida Bar.
- An athlete agent representing a student athlete must comply with the federal Sports Agent Responsibility and Trust Act⁴² in his or her relationship with the student.

The bill restricts a student athlete from entering into a contract providing compensation to the student for use of the student's NIL if a provision of such contract is in conflict with a provision of the team contract of the student's postsecondary educational institution. A postsecondary educational institution asserting such conflict must disclose the relevant contractual provisions that are in conflict with a provision of the student's team contract to the student athlete or the student athlete's representation. However, the bill restricts a team contract of a postsecondary educational institution's athletic program entered into, modified, or renewed on or after January 1, 2020 from preventing a student athlete from using the student's NIL for a commercial purpose when the student is not engaged in official team activities.

A student athlete who enters into a contract providing compensation to the student for use of the student's NIL must disclose the contract to a designated official of the postsecondary educational institution in which he or she is enrolled. The bill authorizes a minor, or the parent or guardian of a minor, to enter into a contract to license the minor's NIL while participating in intercollegiate athletics as a student athlete.

The bill defines "postsecondary educational institution" to mean a state university, Florida College System institution, or private college or university. The bill also defines "student athlete" to mean a student who participates in intercollegiate athletics and is enrolled in such an institution.

⁴¹ Notwithstanding s. 468.453(3), F.S., regarding licensure required to practice as an athlete agent in Florida, an athlete agent representing a student athlete for purposes of earning compensation as a result of a third party's use of the student's name, image, or likeness must be licensed under part IX of chapter 468.

⁴² See 15 U.S.C. ss. 7801-7807.

The bill authorizes the Board of Governors of the State University System to adopt regulations and the State Board of Education to adopt rules.

The bill takes effect July 1, 2020.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

Commerce Clause

The bill includes regulations for athletic associations with authority over intercollegiate athletics. These requirements may affect interstate commerce. The U.S. Constitution confers authority upon the federal government to regulate commerce among the states.⁴³ Nondiscriminatory state laws affecting interstate commerce are valid unless the burdens imposed on interstate commerce clearly outweigh the local benefits.⁴⁴

Contract Clause

The Florida Constitution includes a prohibition against laws impairing the obligation of contracts. The U.S. Constitution includes a similar provision against the substantial impairment of contracts. The bill may affect the obligations of postsecondary educational institutions to uphold existing contracts prohibiting students participating in intercollegiate athletics from earning compensation through the use of name, image, or likeness. Substantial impairments to existing contracts may be acceptable if the degree of the impairment is both "reasonable and necessary to achieve a valid state interest."

⁴³ U.S. Const., Art. 1, s. 8, cl. 3.

⁴⁴ Dep't of Revenue of Ky. v. Davis, 553 U.S. 328, 338–39 (2008).

⁴⁵ Art. 1, s. 10, Fla. Const.

⁴⁶ U.S. Const., Art. 1, s. 10.

⁴⁷ Nat'l Collegiate Athletic Ass'n v. Roberts, TCA 94-40413-WS, 1994 WL 750585 (N.D. Fla. Nov. 8, 1994) (citing Nat'l Collegiate Athletic Ass'n v. Miller, 795 F. Supp. 1476, 1486 (D. Nev. 1992).

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Violations of National Collegiate Athletic Association (NCAA) bylaws may impact the eligibility of student athletes in the state to participate in intercollegiate athletics, and different laws in effect in different states may make it difficult to adopt a uniform approach to supporting student athletes. ⁴⁸ The pending ruling of the NCAA in January 2021 may place additional pressures on student athletes to attend only institutions in compliance with NCAA rules and bylaws in order to participate in intercollegiate athletics for the 2020-2021 academic year.

C. Government Sector Impact:

The bill may have a negative, indeterminate fiscal impact on postsecondary educational institutions. The bill may require university boards of trustees and related staff to amend university policies and regulations and draft related documents. ⁴⁹ Additional athletics staff to provide oversight on student athlete compensation at each institution may also need to be hired. ⁵⁰

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 743.08 of the Florida Statutes.

This bill creates section 1004.098 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

⁴⁸ State University System of Florida, Agency Bill Analysis for SB 646 (2020), at 4.

⁴⁹ *Id.*, at 3.

⁵⁰ *Id*.

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None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.