

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/CS/SB 2066

SPONSOR: Judiciary and Regulated Industries Committees and Senators King and Smith

SUBJECT: Uniform Athlete Agents Act

DATE: April 24, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vaccaro</u>	<u>Caldwell</u>	<u>RI</u>	<u>Favorable/CS</u>
2.	<u>Matthews</u>	<u>Johnson</u>	<u>JU</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>AGG</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

This bill substantially revises the regulatory provisions of Part IX of chapter 468, Florida Statutes, governing athlete agents, as follows:

- Excludes from the definition of athlete agents specified relatives and persons acting solely for a professional sports team or a professional sports organization and thus from the application of the law,
- Removes the exemption for Florida Bar members acting as athlete agents relating to the licensure and qualification provisions of the athlete agents law,
- Designates the Department of Business and Professional Regulation as the non-resident agent for out-of-state athlete agents for the purpose of service of process,
- Provides for temporary licensure pending the application process under specified circumstances,
- Allows an unlicensed athlete agent to practice under specified circumstances,
- Modifies contract provisions and disclosure and notice requirements,
- Increases the administrative penalty from \$5,000 to \$25,000 for prohibited acts,
- Enhances civil remedies for educational institutions by broadening scope of recoverable damages, by holding former student athletes and athlete agents severably liable and by extending the time to initiate action,
- Revises business records requirements and extends record keeping requirements from 4 to 5 years,
- Eliminates examination and bonding requirements, and
- Repeals provisions relating to continuing legal education and licensure display requirements.

This bill substantially amends the following sections of the Florida Statutes: 468.452; 468.453; 468.454; 468.456; 468.45615; 468.4562; and 468.4565. This bill repeals ss. 468.4563 and 468.4564 of the Florida Statutes.

II. Present Situation:

In 1988, the Legislature enacted law providing for the regulation of athlete agents by the Department of Business and Professional Regulation. *See* ch. 88-229, L.O.F.; Part IX, ch. 468, F.S. The act was based on the legislative finding that dishonest and unscrupulous practices by athlete agents can seriously harm student athletes and the educational institutions that they attend. In 1995, the Legislature altered the basic regulatory framework to impose stricter regulatory requirements governing athlete agents, and more particularly athlete contracts. *See* ch. 95-307, L.O.F. In 2000, the Legislature enhanced the criminal, civil, and administrative sanctions of the athlete agent laws.¹ *See* ch. 2000-356, L.O.F.

1. Definitions

An “athlete agent” is defined as a person who, directly or indirectly, recruits or solicits a student athlete to enter into an agent contract, or who, for any type of financial gain, 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, or with any promoter who markets or attempts to market the student athlete’s athletic ability or athletic reputation. *See* s. 468.452, F.S. A “student athlete” is defined as any student who: (a) *resides in Florida*, has informed, in writing, a college or university of the student’s intent to participate in that school’s intercollegiate athletics, or who does participate in that school’s intercollegiate athletics and is eligible to do so; or (b) *does not reside in Florida*, but has informed, in writing, a college or university in Florida of the student’s intent to participate in that school’s intercollegiate athletics, or who does participate in that school’s intercollegiate athletics and is eligible to do so. *See* s. 468.452, F.S.

2. Licensure

Any person practicing as an athlete agent must be licensed. A licensee applicant must:

- (a) pass an examination provided by the department regarding the applicant’s proficiency to practice as an athlete agent;
- (b) pay an application fee not to exceed \$500, an examination fee not to exceed the cost of the examination plus \$500, and a licensure fees not to exceed \$2,000;
- (c) submit to the department a fingerprint card for a criminal history records check; and
- (d) post a \$15,000 surety bond for any damages incurred by a student athlete or college or university resulting from the acts or omissions of the athlete agent. *See* s. 468.453, F.S.

¹ According to the Division of Talent and Athlete Agents within the Department of Business and Professional Regulation, there was 1 investigation of athlete agents in 1998-1999, 10 investigations in 1999-2000, and 20 investigations between July 1, 2001 and March 31, 2001. There are currently 2 open actions on athlete agents, one of which is in the investigative stage and the other is in the administrative stage. Since 1999 to date, only one athlete agent has voluntarily relinquished a license, and there have been no suspensions.

In addition, an athlete agent must complete 20 hours of continuing education during a biennial licensure cycle. *See* s. 468.4563, F.S. An athlete agent is also required to display his or her license. *See* s. 468.4564, F.S. An athlete agent's business and financial records must be kept for 4 years. *See* s. 468.4565, F.S.

3. *Contracts*

An athlete agent and a student athlete must provide notice to the respective student's college or university athletic director or president (where the student is enrolled) when entering into a contract. The notice must be provided prior to any practice or participation in an intercollegiate athletic event or within 72 hours of entering the contract, whichever comes first. *See* s. 468.454, F.S. The student athlete may rescind the contract within 15 days after the notice is provided. The contract must contain a statement to the student athlete that: (a) warns the student athlete of the potential loss of eligibility to compete in intercollegiate sports resulting from the contract; and (b) explains the 72-hour notice requirement and 15-day right-to-rescind the contract.

4. *Criminal and Civil Penalties and Remedies*

There are a number of civil and criminal penalty provisions. For example, disciplinary penalties provided under s. 455.227, F.S., include but are not limited to, refusal to certify an applicant; suspension or revocation of a license; imposition of restrictions on the licensee; assessment of up to a \$5,000 administrative fine for each count or offense; issuance of a reprimand; probation; or other corrective action imposed by the department for violations of prohibited acts by athlete agents under s. 468.456, F.S. The criminal offenses include a felony of the second degree for any person who offers anything of value to any person to induce a student athlete to enter an agent agreement. *See* s. 468.45615, F.S. In addition, a college or university may sue for damages any person, athlete agent or student athlete who violates the athlete agent laws. *See* s. 468.4562, F.S.

III. **Effect of Proposed Changes:**

Section 1 amends subsection (2) of section 468.452, F.S. The bill amends the definition of the term "athlete agent" to include all employees and other persons acting on behalf of an athlete agent which will subject them to the application of the athlete agent law. It excludes a spouse, parent, sibling, grandparent, or guardian of the student athlete, or an individual acting on behalf of a professional sports team or professional sports association.

Section 2 amends section 468.453, F.S., to eliminate the examination requirement and related examination fee. It also eliminates the \$15,000 surety bond requirement. It removes the existing exemption for Florida Bar members from complying with licensure and qualifications requirements. It also allows an *unlicensed* individual to act as an athlete agent if: 1) contact is first initiated by the student athlete or someone acting on his or her behalf and 2) the unlicensed individual submits an application for licensure with 7 days of such contact. For non-resident athlete agents, the Department of Business and Professional Regulation is designated as the agent for receipt of service of process in any civil action related to the agent. Finally, the department may issue a temporary registration while an application is pending.

Section 3 amends section 468.454, F.S. It requires an agent contract in a signed or otherwise authenticated, record. It expands the required contents of an agent contract to include: (a) the name of any person not listed in the athlete agent license application who receives compensation

from the agent contract; (b) a description of any expenses the student athlete agrees to reimburse; and (c) a description of the services to be provided by the student athlete. It abbreviates the “warning to student-athlete” requirement in a contract to include: the notice of potential eligibility loss, the 72-hour notice requirement and the 14-day notice of rescission. However, unlike existing law, the contract does not need to include a warning to the student athlete that he or she may be held criminally and civilly liable for violations of the athlete agent law.

It modifies the disclosure requirements regarding athlete agent contracts. Although it retains the 72-hour notice requirement, it eliminates the requirement to provide notice to the college or university president. Notice now must be provided “in a record” by the athlete agent to the athletic director and the student athlete is required to “inform” the athletic director.

It also reduces from 15 to 14 days the rescission period of an athlete agent contract from the date of entering the contract. Additionally, it provides student athletes with additional rights. The student athlete is not required to pay consideration under the contract or to return any consideration received by the athlete agent to induce the student athlete to enter the contract, in the event the student athlete cancels or voids the contract. The bill still maintains the requirement that the agent contract include notice regarding eligibility, the student athlete’s right to cancel, and the notification requirements, but the language is abbreviated. This section requires that the athlete agent provide the student athlete with a record of the contract.

Section 4 amends subsection (3) of section 468.456, F.S. to increase the administrative fine cap. assessed by the department from \$5,000 to \$25,000 for each offense.

Section 5 creates subsection (4) of section 468.4615, F.S. to provide for additional grounds for 2nd degree felony offenses as follows:

- (a) The athlete agent is prohibited from doing the following to induce a student athlete to enter a contract:
 1. Give any false or misleading information or making a materially false promise;
 2. Furnish anything of value to the student athlete prior to entering the contract; and
 3. Furnish anything of value to any individual other than the student athlete or another athlete agent.
- (b) The athlete agent may not intentionally:
 1. Initiate contact with a student unless registered;
 2. Refuse to retain or permit inspection of records;
 3. Provide false or misleading information in an application;
 4. Predate or postdate a contract;
 5. Fail to give notice of the existence of an agent contract as required by section 468.454(6), F.S.; and
 6. Fail to notify a student athlete prior to signing or authenticating a contract that the student may become ineligible to participate in intercollegiate athletics.

Section 6 amends section 468.4562, F.S., to provide additional civil remedies to educational institutions. These institutions are now deemed to suffer damages if they self-impose disciplinary action for the purpose of mitigating potential sanctions to be imposed by an athletic organization or conference such as the NCAA. An athlete agent and the student athlete are to be held severally liable rather than jointly for damages sought by an educational institution resulting from

violations under the athlete agent laws. An educational institution's right of action does not accrue until the educational institution discovers, or by exercise of reasonable diligence, would have discovered the violation. Finally, the amendment provides that this part does not restrict the rights, remedies, or defenses of any person under law or equity.

Section 7 amends section 468.4565, F.S., to remove the reference to licensure, to extend the records period from 4 to 5 years, and to specify the minimum content of those business records.

Section 8 repeals s. 468.4563, F.S., relating to continuing education requirements for athlete agents and s. 468.4564, F.S., relating to licensure display requirements.

Section 9 provides that the bill takes effect July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Constitutional Issues:

The bill makes a distinction between independent or free athlete agents and 'professional sports' agents acting solely on behalf of a professional sports team or organization. Business solicitation has been recognized as a constitutionally protected commercial speech or expression. *See Edenfield v. Fane*, 113 S.Ct. 1792 (1993); *See Dept of Business & Professional Regulation v. Rampell*, 621So2d 426 (Fla1993). The rationale is that it affords consumers the opportunity to receive full benefits of a free and open market. The bill essentially creates a statutory exemption for athlete agents associated with an professional sport's team or organization. The Legislature has a wide discretion in creating statutory classifications for which there is a presumption in favor of validity. *Grant v. State*, 770 So.2d 655, 660 (Fla. 2000), citing to *State v. Leicht*, 402 So.2d 1153, 1154 (Fla.1981) (citations omitted). However, a statutory classification will be deemed to violate equal protection if it causes "different treatments so disparate as relates to the difference in classification so as to be wholly arbitrary." *Id.* Since no suspect class is involved, the regulation must be shown to be rationally related to a valid governmental purpose or interest and be reasonably designed to achieve that purpose. It is unknown whether student athletes are less susceptible to unscrupulous activities by these professional sports agents, whether these athlete agents are already subject to similar contractual restrictions, notice requirements and sanctions by virtue of their association with the professional sports team or organization.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

Due to the elimination of examination, educational requirements and licensure fees, revenue collected by the Department of Business and Professional Regulation will decrease. This decrease may be offset by the elimination of the time and expense for administration of the exam.

B. Private Sector Impact:

Athlete agents will have fewer restrictions and expenses in obtaining registration. However, athlete agents will also be held to higher record keeping standards. In addition, athlete agents are expressly held severably liable for damages in actions brought by educational institutions. The more stringent administrative fines, expanded civil remedies and broader criminal sanctions against athlete agents may reduce the number of violations and the number of illegal interactions between athlete agents and student athletes.

Student athletes will benefit from greater protections and expanded rights such as the right to retain consideration when the contracts are rescinded. However, it may also limit opportunities for student athletes who are qualified, who are legitimately ready, who aspire to enter the professional ranks or who are otherwise motivated or pressured by personal financial concerns or gains to rely directly or indirectly upon a network of trusted friends, associates or other network (other than those specified family members excluded from the definition of athlete agents) for purposes of accessing the professional athletic market. Additionally, former student athletes could potentially be severably liable for damages to educational institutions resulting from violations of the athlete agent laws.

Private educational institutions are also afforded greater protection through enhanced civil remedies.

The bill exposes all employees and other persons acting on behalf of an athlete agent to the same criminal and civil liabilities as the athlete agent.

C. Government Sector Impact:

The Department of Business and Professional Regulations will receive fewer fees but will no longer have to administer examinations.

Public educational institutions are afforded greater protection as discussed under the Private Sector Impact statement regarding private educational institutions.

V. Technical Deficiencies:

- Section 468.454, F.S., requires the athlete agent to provide 72-hour notice “in a record” of the existence of a contract. It is unclear what would constitute sufficient record. Similarly, the student athlete is required to “inform” the university or college athletic director but it is left unclear as to whether such notice can be done in writing or orally.

- Section 468.454, F.S., in part, authorizes a student to retain any consideration received as an inducement to enter a contract upon rescinding the contract. The proposed creation of subsection (4) of section 468.4615, F.S., however, prohibits such consideration from being made by the athlete agent, and makes such conduct a second degree felony.

VI. Related Issues:

A conflict exists between s. 468.4561, F.S. and s. 468.453, F.S. as amended. The bill amends s. 468.453, F.S., to allow an unlicensed individual to act as an athlete agent if initially contracted by a student athlete provided the person files an application for licensure within 7 days of the initial contact. In addition, a temporary licensure may be granted pending application approval.

However, existing law prohibits absolutely any person from conducting business as an athlete agent unless licensed, subject to a third degree felony offense. *See* s. 468.4561, F.S.

VII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
