

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 99 Intercollegiate Athlete Compensation and Rights

SPONSOR(S): Postsecondary Education & Workforce Subcommittee, LaMarca

TIED BILLS: None. **IDEN./SIM. BILLS:** SB 200

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|---|------------------|---------|--|
| 1) Postsecondary Education & Workforce Subcommittee | 18 Y, 0 N, As CS | Wolff | Kiner |
| 2) Education & Employment Committee | | Wolff | Hassell |

SUMMARY ANALYSIS

Florida was an early leader in allowing intercollegiate student athletes to earn compensation for the use of their name, image & likeness (NIL). Since that time, over two dozen other states have followed Florida's lead and enacted NIL laws of their own. In response to these actions, the National Collegiate Athletic Association (NCAA) adopted an interim policy allowing intercollegiate athletes to earn NIL compensation without jeopardizing their amateur status or athletic eligibility.

While Florida's NIL law has not been updated since its enactment, other states have had the opportunity to learn and benefit from Florida's early action. For example, Florida's NIL law prohibits institutions from causing NIL compensation to be directed to an intercollegiate athlete. As a result, athletes may not be aware of NIL opportunities that exist, or if they are aware, are unable to receive information or other support from their institutions beyond the statutorily required financial literacy and life skills workshop.

Consequently, several states have since revised their laws by removing this prohibition. In addition, the NCAA issued new guidance in October 2022 clarifying that institutions may, in fact, have limited involvement in the NIL process, such as: providing information to student athletes about NIL opportunities of which the institution has become aware; arranging space for a NIL entity and student athlete to meet on campus or in the institution's facilities; or through other specified actions. As a result of these other state actions and newly-issued NCAA guidance, Florida's NIL law is currently more restrictive than the NCAA.

To assist student athletes in maximizing their NIL opportunities, the bill:

- Removes the prohibition on institutions causing compensation to be directed to student athletes.
- Removes the requirement that NIL compensation come from a third party unaffiliated with the institution.

These proposed changes allow for limited institutional and booster organization involvement and are consistent with the NCAA's Interim Policy and associated guidance, as well as NIL laws in several other states. The bill retains the prohibition on direct compensation from the institution to current or prospective student athletes. In addition, long-standing NCAA policies prohibiting 'pay-for-play' and illegal recruiting inducements remain in effect.

The bill provides protections to postsecondary educational institutions for the use of their trademarks and logos and expands the required financial literacy and life skills workshop to include an entrepreneurship component, require the workshop be provided annually, and require it be provided to transfer student athletes.

The bill has an indeterminate positive fiscal impact on student athletes at Florida's postsecondary institutions.

The bill takes effect upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Background

National Collegiate Athletic Association

The National Collegiate Athletic Association (NCAA) regulates intercollegiate athletic competitions in various sports across three divisions (Division I, Division II, and Division III).¹ As the governing body for the majority of intercollegiate athletic programs, the NCAA provides that its basic purpose is to “maintain intercollegiate athletics as an integral part of the educational program and the athlete as an integral part of the student body and, by so doing, retain a clear line of demarcation between intercollegiate athletics and professional sports.”²

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

Student-athletes are allowed to receive scholarships, or "grants-in-aid," which may cover tuition and fees, room and board, required course-related books, food, and cash stipends to help defray the actual cost of attending school.

The NCAA and member colleges and universities award nearly \$3.6 billion in athletic scholarships every year to more than 180,000 student-athletes.³ According to the NCAA, they also provide almost \$100 million each year to support student-athletes' academic pursuits and assist them with the basic needs of college life, such as a computer, clothing or emergency travel expenses.⁴

Florida Intercollegiate Athletic Programs

In Florida, 13 schools participate in NCAA Division I athletics, of which seven compete in the Football Bowl Subdivision, three compete in the Football Championship Subdivision, and three do not field football teams. There are 14 NCAA Division II athletic programs located in the state, and no NCAA Division III athletic programs. Additionally, Florida is home to 26 institutions participating in the National Junior College Athletic Association (NJCAA), nine institutions participating in the National Association of Intercollegiate Athletics (NAIA), and six institutions participating in the National Christian College Athletic Association (NCCAA).

Intercollegiate Athletics Revenue and Expenses

NCAA Revenues and Expenses

College athletics, particularly football and basketball, is big business. The games associated with the College Football Playoff paid out a combined \$549 million to athletic conferences and schools in 2018-2019.⁵ ESPN will reportedly pay approximately \$7.3 billion to televise the games associated with the

¹ Division I is further subdivided into the Football Bowl Subdivision (FBS), Football Championship Subdivision (FCS), and Division I Subdivision.

² NCAA Constitution Art. I, s. A, available at <https://web3.ncaa.org/lscdbi/reports/getReport/90008>.

³ NCAA, *Scholarships*, <https://www.ncaa.org/sports/2014/10/6/scholarships.aspx> (last visited Dec. 28, 2022).

⁴ See NCAA, *2023 Division I Revenue Distribution Plan*, available at https://ncaaorg.s3.amazonaws.com/ncaa/finance/d1/2023D1Fin_RevenueDistributionPlan.pdf.

⁵ Brent Schrottenboer, *College Football Playoff Business is Booming at Halfway Point, but Expansion Looms*, USA Today, Jan. 9, 2020, available at <https://www.usatoday.com/story/sports/ncaaf/2020/01/09/college-football-playoff-financial-success-expansion-future/2838495001/> (last visited Jan. 9, 2023).

College Football Playoff over the twelve-year period.⁶ The NCAA's current eight-year television contract with CBS and Turner Sports for the NCAA's men's March Madness basketball tournament is reportedly worth \$8.8 billion. For the year ending August 31, 2021, the NCAA reported revenue of \$1.15 billion and expenses of \$1.03 billion.⁷ The vast majority of revenues were received from television and marketing rights fees (\$915 million) while \$613 million was distributed to Division I member institutions.⁸

Division I Revenue and Expenses

In 2020-2021, 350 Division I schools reported a total revenue of \$13.3 billion through the NCAA financial reporting system.⁹ The majority of this revenue was received from institution and government support (37 percent), media rights (26 percent), and donor contributions and endowments (17 percent).¹⁰ However, these same institutions had \$13.7 billion in expenses, with the largest expenses being coach compensation (22 percent), student athletics aid (21 percent), administrative compensation (18 percent) and facilities (18 percent).¹¹ Of the 350 institutions that reported financial data to the NCAA in 2021, only nine FBS and no FCS institutions reported revenue that exceeded expenses.¹²

Name, Image, and Likeness

NCAA Interim Policy

Prior to July 1, 2021, the NCAA prohibited intercollegiate athletes from earning compensation for the use of their name, image, and likeness. In June 2021, the United States Supreme Court (Supreme Court) upheld a ruling against the NCAA striking down long-standing restrictions on permissible education-related benefits for student athletes, such as rules that limit scholarships for graduate or vocational school, payments for academic tutoring, or paid posteligibility internships.¹³

In light of the Supreme Court ruling and changes in public sentiment regarding student athlete compensation, including a number of state laws authorizing student-athlete name, image, and likeness opportunities, the NCAA adopted an interim policy governing name, image and likeness opportunities for member institutions.¹⁴ The interim policy provides the following regarding college athletes, recruits, their families and member schools:

- Individuals can engage in NIL activities that are consistent with the law of the state where the school is located. Colleges and universities may be a resource for state law questions.
- College athletes who attend a school in a state without a NIL law can engage in this type of activity without violating NCAA rules related to name, image and likeness.
- Individuals can use a professional services provider for NIL activities.
- Student-athletes should report NIL activities consistent with state law or school and conference requirements to their school.¹⁵

⁶ *Id.*

⁷ NCAA, *Consolidated Financial Statements August 31, 2021 and 2020*, p.6, available at https://ncaaorg.s3.amazonaws.com/ncaa/finance/2020-21NCAAFIN_FinancialStatement.pdf.

⁸ *Id.*

⁹ NCAA, *Trends in Division I Athletics Financing*, p. 13, available at https://ncaaorg.s3.amazonaws.com/research/Finances/2022RES_DI-RevExpReport_FINAL.pdf.

¹⁰ *Id.* at 14.

¹¹ *Id.* at 21-22.

¹² *Id.* at 8-9. At least one Division I Subdivision school reported revenue greater than expenses, but the NCAA report does not provide a specific count. *Id.* at 10.

¹³ See *NCAA v. Alston*, 141 S.Ct. 2141 (2021).

¹⁴ NCAA, *NCAA adopts interim name, image and likeness policy*, <https://www.ncaa.org/news/2021/6/30/ncaa-adopts-interim-name-image-and-likeness-policy.aspx> (last visited Dec. 29, 2022).

¹⁵ *Id.*

In October 2022, the NCAA issued additional guidance seeking to clarify its interim NIL policy.¹⁶ The guidance addressed three main areas of confusion related to the interim policy:¹⁷

- Schools generally can and should provide education to current student-athletes on topics such as financial literacy, taxes, social media practices and entrepreneurship. Schools also can provide NIL education to collectives, boosters and prospects.¹⁸
- Schools can inform student-athletes about potential NIL opportunities and can work with a NIL service provider to administer a "marketplace" that matches student-athletes with those opportunities, schools cannot engage in negotiations on behalf of a NIL entity or a student-athlete to secure specific NIL opportunities.
- School personnel (including coaches) can assist a NIL entity with fundraising through appearances or by providing autographed memorabilia but cannot donate cash directly to those entities. School staff members also cannot be employed by or have an ownership stake in a NIL entity.

To aid institutions in understanding the new guidance, the NCAA's guidance document also included several other examples of activities that are permissible and activities that are impermissible.¹⁹ The NCAA stressed that this additional guidance was a clarification of existing policy, but acknowledged that the guidance may render prior acts by institutions violations of the interim policy. However, the NCAA directed its enforcement staff to only pursue the most egregious offenses that were "clear violations" of the interim policy.²⁰

Florida Name, Image, and Likeness Law

Recognizing that intercollegiate athletes have a property right in their name, image, and likeness and generate significant revenue for their institutions, in 2020, Florida adopted the 'Intercollegiate Athlete Bill of Rights' (Florida NIL Law).

Effective July 1, 2021, Florida's NIL Law permits intercollegiate athletes at postsecondary educational institutions to earn compensation for the use of their name, image, or likeness.²¹ Such athletes may do so by, among other things, endorsing products and/or services, making public appearances, signing autographs, participating in sports camps, or even starting their own businesses. The compensation provided must be commensurate with the market value of the authorized use of the athlete's name, image, or likeness.²² To preserve the integrity, quality, character, and amateur nature of intercollegiate athletics and to maintain a clear separation between amateur intercollegiate athletics and professional sports, state law prohibits such compensation from being provided in exchange for athletic performance or attendance at a particular institution.²³ Additionally, the duration of an intercollegiate athlete's name, image, or likeness contract may not extend beyond his or her participation in an athletic program at a postsecondary educational institution.²⁴ An intercollegiate athlete must disclose the contract to her or his postsecondary educational institution.²⁵

After Florida, several other states enacted name, image, and likeness laws and, as of January 2023, 29 states have adopted NIL laws and five states have proposed NIL laws.²⁶

¹⁶ NCAA, *DI board approves clarifications for interim NIL policy*, <https://www.ncaa.org/news/2022/10/26/media-center-di-board-approves-clarifications-for-interim-nil-policy.aspx> (last visited Dec. 29, 2022).

¹⁷ *Id.*

¹⁸ The board also noted that — when permitted by applicable state laws — schools can and should require student-athletes to report NIL activities to the athletics department. *Id.*

¹⁹ NCAA, *Institutional Involvement in a Student-Athlete's Name, Image and Likeness Activities*, available at https://ncaaorg.s3.amazonaws.com/ncaa/NIL/DINIL_InstitutionalInvolvementNILActivities.pdf.

²⁰ *Id.*

²¹ Section 1006.74, F.S.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ See Justia, *Laws for College Athlete Name, Image, and Likeness Rights: 50-State Survey*, <https://www.justia.com/sports-law/college-athlete-name-image-and-likeness-rights-50-state-survey/> (last visited Dec. 29, 2022).

Prohibition on Directing Compensation to Student Athletes

Florida and only six other states prohibit a postsecondary educational institution, as well as its booster organization, from causing compensation to be directed to a current intercollegiate athlete for the use of his or her name, image, or likeness.²⁷

However, the prohibition against causing compensation to be directed to a current intercollegiate athlete has resulted in confusion as to the extent to which a postsecondary educational institution, any of its staff, or its booster organization, may be involved in the NIL process at all. For example, this portion of Florida's NIL law could be interpreted to prohibit athletic department staff from merely answering questions from a current student athlete regarding the NIL process and/or setting up an introduction between the current student athlete and a third-party. As a result of the confusion, institutions and coaches have shied away from discussions surrounding NIL altogether.

The confusion exists in some of the other states that have NIL laws similar to Florida's. However, in 2022, Louisiana, Mississippi, Missouri, and Tennessee amended their NIL laws to address the confusion and clarify that institutions are not prohibited from being involved in the NIL process altogether. Alabama repealed its NIL law entirely. Several other states, such as Arkansas, Georgia, North Carolina, and Texas have codified NIL laws, but do not have the prohibition. South Carolina's NIL law has the prohibition, but its NIL law has been suspended for the 2022-2023 academic year.²⁸

Because the October 2022 guidance from the NCAA clarifies that some institutional involvement in NIL is permissible, and in some instances, encouraged, Florida's prohibition on 'causing compensation to be directed' has been interpreted as being more restrictive than what is allowed by the NCAA Interim Policy.²⁹

Florida Public Postsecondary Educational Institution Trademarks

The registration and protection of trademarks in Florida is governed by both Florida law and the federal Trademark Act of 1946, as amended.³⁰ Formal registration of trademarks is not required. However, such registration may provide additional protections for the holder of the trademark.³¹ Florida law expressly authorizes the Department of Education,³² Florida College System institution Boards of Trustees,³³ and State University System institutions³⁴ to seek trademarks and take actions to defend their trademarks.

Effect of Proposed Changes

The bill removes the prohibition on postsecondary educational institutions causing compensation to be directed to a current or prospective intercollegiate athlete for the use of his or her name, image, or likeness. The effect of such change will allow postsecondary educational institutions to be more involved in the NIL process, including by making introductions and helping set up meetings between student athletes and NIL entities. The change also applies to a postsecondary educational institution's booster organization.

²⁷ Section 1006.74(2)(c), F.S.

²⁸ Andy Wittry, *University of South Carolina Embraces Suspension of NIL law*, On3NIL.com, July 1, 2022, available at <https://www.on3.com/nil/news/south-carolina-gamecocks-facilitate-nil-deals-after-state-law-suspended/> (last visited Jan. 9, 2023).

²⁹ NCAA, *DI board approves clarifications for interim NIL policy*, <https://www.ncaa.org/news/2022/10/26/media-center-di-board-approves-clarifications-for-interim-nil-policy.aspx> (last visited Dec. 29, 2022).

³⁰ See ch. 495, F.S., and 15 U.S.C. 1051, *et seq.*

³¹ United States Patent and Trademark Office, *Why register your trademark?*, <https://www.uspto.gov/trademarks/basics/why-register-your-trademark> (last visited Jan. 6, 2023).

³² Section 1001.23(4), F.S.

³³ Section 1001.726, F.S.

³⁴ Section 1004.23(1), F.S.

The proposed change will not, however, allow a postsecondary educational institution or its booster organization to directly compensate a current or prospective intercollegiate athlete for the use of their name, image, or likeness.

The bill expands the required financial literacy and life skills workshop for intercollegiate athletes to include an entrepreneurship component and requires that the workshop be provided to each intercollegiate athlete annually. Additionally, when an intercollegiate athlete transfers to an institution, the bill requires the institution to provide the workshop for such student within 120 days after their transfer.

The bill authorizes a postsecondary educational institution to provide additional support services to intercollegiate athletes, such as contract review, tax preparation, and financial advisor services, at no charge to the intercollegiate athlete. If the professional providing the service to the intercollegiate athlete is an employee of the postsecondary educational institution, the professional may not be employed by, or have a conflicting contractual relationship with, a third party.

The bill defines the term "mark" to mean any trademark, service mark, certification mark, or collective mark entitled to registration under chapter 495 or the Trademark Act of 1946, of a Florida postsecondary educational institution. The bill requires that any use of such "marks" by a student athlete in an NIL opportunity must be done with the express written consent of the institution.

B. SECTION DIRECTORY:

Section 1: Amends s. 1006.74, F.S.; defining the term "mark"; deleting a requirement that compensation to a intercollegiate athlete be provided by certain third parties; authorizing certain entities and persons to cause compensation to be directed to a current intercollegiate athlete; prohibiting entities and persons who provide specified services to a postsecondary educational institution from causing compensation to be directed to a current or prospective intercollegiate athlete; prohibiting an intercollegiate athlete from entering into a compensation contract that conflicts with her or his athletic program or postsecondary educational institution, rather than team, contract; requiring postsecondary educational institutions to conduct a specified workshop for intercollegiate athletes each academic year; requiring postsecondary educational institutions to conduct such workshop within a specified time after an intercollegiate athlete transfers to such institution; requiring such workshop to include specified information; prohibiting certain parties from using a postsecondary educational institution's mark without written consent of such institution or its designee; authorizing postsecondary educational institutions to provide specified services to intercollegiate athletes; providing requirements for professionals providing such services.

Section 2: Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill has an indeterminate positive fiscal impact on student athletes at Florida's post-secondary institutions due to increased awareness of NIL opportunities that may be available to them.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Current law requires the adoption of rules and regulations governing NIL by the SBE and BOG, respectively, and such rules and regulations will need to be updated to address changes made in the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 17, 2023, the Postsecondary Education & Workforce Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment:

- Expands the required financial literacy and life skills workshop for intercollegiate athletes to include an entrepreneurship component.
- Requires the financial literacy, entrepreneurship, and life skills workshop be provided to intercollegiate athletes annually and to transfer athletes within 120 days after their transfer to the institution.
- Authorizes postsecondary institutions to provide support services, such as tax preparation, contract review, or financial advisor services, to intercollegiate athletes, at no charge to the intercollegiate athlete.
- Removes three hold harmless provisions relating to employment, institution liability, and a clarification that no postsecondary institution is required to create, provide, negotiate, or otherwise facilitate NIL opportunities for intercollegiate athletes.

The analysis is drafted to the committee substitute adopted by the Postsecondary Education & Workforce subcommittee.