

# SENATE BILL REPORT

## SB 6493

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As Reported by Senate Committee On:  
Higher Education & Workforce Development, January 31, 2018

**Title:** An act relating to increased transparency and accountability for intercollegiate athletic programs at public colleges and universities.

**Brief Description:** Increasing transparency and accountability for intercollegiate athletic programs.

**Sponsors:** Senators Billig, Palumbo, Ranker, Carlyle, Hasegawa and Kuderer.

**Brief History:**

**Committee Activity:** Higher Education & Workforce Development: 1/25/18, 1/31/18 [DPS, w/oRec].

**Brief Summary of First Substitute Bill**

- Defines an operating deficit to mean the difference between total operating costs and revenue generated by the program plus reserves that were originally generated by the program.
- Directs boards of trustees or regents to approve expenditures and transfers to support athletic budgets when the intercollegiate athletic program is operating in a deficit.
- Requires boards of trustees or regents to approve and post financial statements and plans for preventing intercollegiate athletic deficits if the athletic program is operating in a deficit.

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**SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT**

**Majority Report:** That Substitute Senate Bill No. 6493 be substituted therefor, and the substitute bill do pass.

Signed by Senators Ranker, Chair; Palumbo, Vice Chair; Carlyle, Liias, Miloscia, Nelson and Short.

**Minority Report:** That it be referred without recommendation.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Signed by Senator Hawkins, Ranking Member.

**Staff:** Alicia Kinne-Clawson (786-7407)

**Background:** Laws Pertaining to Intercollegiate Athletics. In 1989, the Legislature authorized the use of student fees to achieve gender equity in intercollegiate athletics. SHB 2020 provided that a total dollar amount and tuition and fee waivers, not to exceed 1 percent, may be used for the purpose of achieving or maintaining gender equity in intercollegiate athletics. In addition, the bill required that equitable equipment, services, insurance, scholarships, and benefits must be provided to male and female athletes. Since 1989, the Legislature has considered relatively few pieces of legislation pertaining to intercollegiate athletics.

Operational Funding of Intercollegiate Athletics. Mandatory student fees for intercollegiate athletics are common across the country. In Washington, most colleges and universities dedicate a portion of the service and activities fee to intercollegiate athletics. Additional sources of revenue include tuition, private fundraising, sponsorship contracts, and television contracts. The size and scope of athletic budgets vary across the programs and the divisions that each of the programs compete in. For comparison, the budgets for the Division I-A programs at the University of Washington exceeded \$100 million in 2017, with Washington State University spending nearly \$70 million. For the non-Division IA collegiate athletic programs, revenues to support intercollegiate athletics are comprised mostly of institutional sources including student tuition and fee dollars. Eastern Washington University, a Division I-AA program, spent just under \$10 million on athletics in 2017. Central Washington University, a Division II athletic program, had an athletic budget of under \$5 million in 2017. The remaining institutions of higher education spend less than \$1.25 million in the annual operation of athletic programs.

**Summary of Bill (First Substitute):** The boards of trustees or regents at institutions of higher education whose intercollegiate athletic programs experienced a deficit—as defined by operating costs exceeding the aggregated revenue directly generated by the program plus reserves that were originally generated by the program—must approve in an open public meeting:

- expenditures exceeding \$250,000; and
- transfers of funds exceeding \$250,000.

If the intercollegiate athletic program experienced an operating deficit in the previous year; the board of trustees or regents must:

- approve a plan to prevent future deficits; and
- post the financial statements of the program for the three prior fiscal years.

**EFFECT OF CHANGES MADE BY HIGHER EDUCATION & WORKFORCE DEVELOPMENT COMMITTEE (First Substitute):**

- Requires the boards of trustees and regents to approve the annual budget for all athletics programs prior to any expenditures in the fiscal year at an open public meeting.

- Raises the threshold for prior approval of transfers and expenditures for programs with operating deficits to \$250,000.
- Adds exceptions to the prior approval requirement when the expenditure results in a net positive gain or is to address an immediate public safety need.
- Modifies the definition of operating deficit to mean the difference between total operating costs and revenue generated by the program plus reserves that were originally generated by the program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: There have been concerns about athletic deficits at the universities and where the funds are coming from to cover those deficits. We want to make sure we do not disadvantage students because of the athletic deficits. This bill adds some accountability and some transparency. The bill allows for a larger conversation about athletic budgets. Regent review of recovery plans and noteworthy annual expenses as well as some of the transparency measures are workable. We have been working on processes for regent approval of noteworthy expenditures that need to be made in a short timeline. Athletic programs at universities are highly complex business entities of sorts and it is hard for newspapers to keep track of that information. If you do not run a deficit this bill will not apply to you. It is important for those in the news business to be able to apply public scrutiny to how deficits are funded.

OTHER: At the University of Washington, athletics annually has an external audit as well as formal biennial reviews of the budget by the board of regents. Some general concerns about board approval of new or increased expenses and how it would effect the institutions ability to respond to unexpected expenses. There are time sensitive decisions that need to be made and this bill may slow that process. Intercollegiate athletics adheres to the Department of Enterprise Services procurement rules for purchases over \$100,000. Time sensitive expenditures that may exceed the \$100,000 threshold include personnel decisions and terminations as well as safety issues and emergency repairs to facilities. There is currently a requirement to go in front of the board for any expenditure or contract over \$5 million.

**Persons Testifying:** PRO: Senator Andy Billig, Prime Sponsor; Chris Mulick, Washington State University; John Johnson, Washington State University; David Buri, Eastern Washington University; Rowland Thompson, Allied Daily Newspapers of Washington.

OTHER: Joe Dacca, Director of State Relations, University of Washington; Kate Cullen, CFO ICA, University of Washington.

**Persons Signed In To Testify But Not Testifying:** No one.