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FISCAL IMPACT REPORT

ORIGINAL DATE 02/22/07

SPONSOR Taylor LAST UPDATED _____ HB _____

SHORT TITLE College Coach Retention SB 1121

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$1,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Appropriation in the General Appropriation Act as passed by the House of Representatives for University of New Mexico student athlete retention for \$250.0 thousand

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 1121 appropriates a total of \$1 million to the University of New Mexico and New Mexico State University, specifically \$500.0 thousand to each institution from the general fund to be matched by other university funds to provide for retention and market competitiveness for head coaches who conduct programs with student athletes who are successful students, athletes and citizens.

FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

HED found that in comparing compensation for Division I-A college football coaches, New Mexico ranked in the mid-range of both the Western Athletic Conference and the Mountain West Conference. At least 42 of the 119 Division I-A coaches are earning \$1 million or more this year, up from five in 1999. Further, HED notes rising salaries for head coaches draw most of the headlines, but the trend also applies to assistant coaches.

HED notes “When coaches are the face of the athletic program, however, they are more and more claiming lofty salaries. As coach salaries grow, so do critics' concerns about the distortion of sports' importance in its higher-education setting. The chancellor of Texas' university system, Mark Yudof, earned \$693,677 last year, according to *The Chronicle of Higher Education*. Coach Mack Brown makes about four times as much. “

According to LFC files, compensation for head coaches at UNM and NMSU currently include salary and benefits and may also include deferred compensation and incentives. Currently, these incentives may include incentive pay, bonuses based on number and/or type of winning game(s) and tournament appearances, bonuses for awards, share of game ticket revenue, tickets, airline tickets, sales, radio/TV guarantees, courtesy cars or a car allowance, speaking fees, permission for endorsement contracts, permission to earn income from camps and memberships.

Currently, three coaches at UNM are eligible for incentive pay based on league wins or post season play. NMSU contracts may include bonuses reflecting measures of percent of student athletes at academic risk and academic performance ratio.

As reported by the institutions to LFC, the following are “major sports”:

UNM:

Men: Football, basketball, baseball, golf, soccer and tennis

Women: Basketball, softball, golf, soccer, tennis, swimming, and volleyball.

Co-ed: Track and skiing

NMSU:

Men: Football and basketball

Women: Basketball and volleyball

HED notes there appears to be a 27% - 40% disparity in compensation between the two universities, and an even larger difference (73%) in women's basketball.

HED continues “The other notable difference in compensation is the difference between the head coach of men's basketball (higher) and the head coach of women's basketball at each university. The difference at one is 39% higher (men's), and the other is 77% higher (men's).“

HED notes “some would argue that a major winning program can bring tens of millions of dollars in revenue to a school. Except for a few top programs where revenue is outpacing expenditure, most athletics departments are struggling to balance their budgets and are doing so with university subsidies. Between 80% and 95% of Division I-A athletic departments still rely on either the university's General Fund or student fees to balance the budget, according to The National Collegiate Athletic Association (NCAA) financial reports and other academic studies.

A Knight Foundation Commission on Intercollegiate Athletics study found that colleges that increase their expenditures for football or basketball do not see higher winning percentages by their teams, growth in their operating revenue, better academic qualifications among their new students, or more gifts from alumni.”

PERFORMANCE IMPLICATIONS

See questions below.

TECHNICAL ISSUES

To ensure accountability, the bill could be amended to require reporting of performance measures, targets, actual results and award payoffs to the Legislative Finance Committee, Department of Finance and Administration and Higher Education Department.

The matching fund requirement is not specified in the legislation.

OTHER SUBSTANTIVE ISSUES

NMSU submitted a request for an increase of \$250.0 thousand for athletic funding to HED in its higher education budget recommendation process, but an increase was not included in the HED funding recommendation for FY08. Similarly, UNM requested an increase of \$200.0 thousand for its athletic program, but that increase was also not included in the HED recommendation.

ALTERNATIVES

HED notes an alternative would be to follow the NCAA’s standards for the Academic Progress Rate that monitors teams’ graduation rates.

POSSIBLE QUESTIONS

1. Is it an appropriate state policy to provide general fund appropriations to athletics programs at the two Division I universities in the state? For other athletics programs at higher education institutions?
2. What are the best practices for funding athletics programs? How many states provide general fund appropriations for athletics?
3. Would performance awards be available to all head coaches at each institution?
4. If performance rewards are intended to relate to accountability, then is it appropriate for the proposal to focus only on the head coach?
5. How would successful performance in the areas of student achievement, athletic achievement and citizenship be measured? Who would make this determination?
6. If graduation rates are to be included as a measure, would the NCAA definition of graduate rates be used? Or would some other measure of graduation rates be used?
7. How would performance targets be set?
8. What would be the timeline for determining performance measurement, setting targets, determining if targets have been reached, and award of performance bonuses?