

Inspiring individuals, encouraging excellence through education-based athletics.

*Sportsmanship • Developing Student-Athletes • Equity • Fair Competition
Fair Play • Honesty • Integrity • Respect*

VIA EMAIL ONLY

May 20, 2021

Senator Phil Berger
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Representative John Bell
john.bell@ncleg.gov

Dear Senator Berger and Representative Bell:

This letter is written to answer questions that were asked of us, as well as to address several items that were presented during the April 15, 2021 meeting of the Sub-Committee on Interscholastic Athletics.

1. The NCHSAA and The Tort Claims Act

In the 1994 session, the General Assembly amended the Tort Claims Act to provide that the NCHSAA is a state agency for purposes of the Article, and our liability in tort shall be only under this Article. (It should be noted that in 1994, the NCHSAA was under the University's umbrella.) If the NCHSAA were held liable for a tort claim, the NCHSAA would be obligated for all payments under this Article, through its commercial insurance. Neither the State of North Carolina nor the University of North Carolina would be liable for this payment. By statute, the Association also is obligated to reimburse the Department of Justice for any expenses in defending any claim against the Association under this Article. The NCHSAA primarily benefits from the Act in that tort claims may be litigated only in the Industrial Commission. Unlike for other state agencies, the State of North Carolina is not responsible for covering the Association's excess tort liability or the Association's defense costs.

#2 The 2011 through 2020 "Formulas" Used to Provide Yearly Reimbursement to Schools

In response to questions about the "formulas" used to provide reimbursements/distributions to member schools, we are enclosing a ten-year summary of the funds distributed to the membership (Attachment A). We have explained below the primary categories of distributions reflected on Attachment A. Note that throughout the past 10 years, Boards of Directors have made adjustments to the formulas and/or the percentages as warranted.

Gate Receipt Shares

- The NCHSAA distributes a percentage of gate receipts from playoff games. The percentage is provided in the Handbook and varies by sport and by round.

- Numerous state associations retain 100% of all playoff revenues, while the NCHSAA shares revenues with the participating member schools.

Year-End Travel Reimbursements

- The NCHSAA provides travel reimbursements to schools with teams/athletes participating in the individual sports of swimming/diving, cross-country, indoor and outdoor track & field, wrestling, tennis, golf.
- The reimbursement amount is \$0.05 per mile for each qualifier, including coach, up to a maximum of \$0.35.
 - *Example: 7 athletes/coaches (0.05) x 100 round-trip miles to event = \$35.00*

Football Net Deficit Games Distribution:

- Once a school hosts a playoff round football game, the expenses are calculated and the shares of remaining revenue to be sent to the visiting team is determined; if a deficit exists for the host school, the NCHSAA sends funds to the host team to cover this deficit amount.

Flat Rate Distribution in 2010/11

- In the 2010-2011 school year, \$1,000.00 was distributed to each member school (390 schools at the time) with the intent that schools could offset their annual catastrophic insurance cost.

35% of \$1.00 Ticket Surcharge from Playoff/Championship Events

- When playoff tickets are sold, \$1.00 from each ticket is restricted and placed into the NCHSAA General Endowment Fund.
- At the conclusion of a school year, 35% of the \$1.00 ticket surcharge revenue collected is equally divided between all member schools.

NCHSAA Education-Based Grants:

- Annually, the interest earnings of the General Endowment Fund are reviewed, and a set amount is made available for the NCHSAA grant program.
- In 2019/20, the first year of this grant program, \$150,000.00 was the determined amount to provide for grant funding.

60% of Interest & Dividends from Endowment Fund

- When the fiscal year ends on June 30, the Association's auditors/investment managers determine the amount of interest income earned on the Endowment Funds in the prior fiscal year.

- 60% of this total interest income is split evenly among all member schools.

AIC and CIC Reimbursements:

- Certain courses and certifications are available through NFHS Learn that aid coaches in professional development and risk management. The Board of Directors approved (in 2016/17 for 2017/18 school year) using a portion of fine revenue collected to offset fifty (50) percent of costs incurred for achieving certification levels.

Student/Coach Scholarships and Awards

- Donor directed endowed scholarships and coach awards in which annual scholarship amounts are driven by donors' wishes and the interest earnings for each scholarship fund; corpus must remain intact and cannot be spent down.

50% of Excess Operating Budget Revenue

- At year-end, once all receivables have been collected and expenses paid out to vendors, the budget is reviewed to determine if there was "excess" revenue.
- If there is excess revenue, 50% of excess revenue in the operating budget is earmarked for distribution to bracketed sports teams participating in playoffs (beginning with first round of playoffs through state championships, excluding any neutral site regional or state championship).
- Host schools were to receive ½ share each, while travelling teams were to receive one share. Data was compiled in a spreadsheet for all bracketed sports and participating teams. This yielded the total number of shares.
- The amount of "excess" operating revenue was divided by the total number of shares to determine the value of each share.
- The value per share was then multiplied by the total number of shares earned by each respective school.

60% of Interest Earnings from General Association Investments

- When the fiscal year ends on June 30, the Association's auditors/investment managers determine the amount of interest income earned on General Association Investments in the prior fiscal year.
- Of this total, 60% is distributed to member schools using a formula. The formula is based on two factors: (1) system (county) poverty level % for children ages 0-17; and (2) ISP (Identified Student Percentage) % at the school
 - Formula: ISP % at the school times a multiplier based on System (county) Poverty Level % (rounded) = score.
 - Scores for all member schools are added for a grand total.
 - Each school's "score" is divided by grand total of scores to come up with a share of 1 (the whole).

- Share is multiplied by the funds available.
 - **Example:**
 - **School A:**
 - ISP – 51.19%
 - Multiplier - 0.192 (Poverty level for the system is 19.2%)
 - \$98,603.40 available to split between schools
 - $51.19(.192) = 9.82848$ (score) divided by 3048.24 (total of all schools' scores) = 0.32 (share (%) of 1) x \$98,603.40 = \$317.93.

K12 (formerly LRG) Royalties:

- K12 high school licensing program is a national initiative between the NFHS (National Federation of State High School Associations) and K12 (formerly known as LRG- Licensing Resource Group). Schools contract directly with K12 and K12 works with manufacturers and retail distributors and collects royalties from merchandise created and distributed by certain retailers bearing respective school logo/marks.
- In years 2015/16 through 2018/19, K12 sent one royalty check to NCHSAA and NCHSAA included K12/LRG royalties in year-end checks to schools. In 2019/20, K12 sent checks directly to each school owed royalties and NCHSAA received a summary spreadsheet for reference. NCHSAA has never received any portion of royalties in this initiative.

Scholar Athlete Awards:

- The NCHSAA Scholar-Athlete program is a voluntary, application-based program and recognizes excellence in the classroom and on the playing court or field. The program includes recognizing varsity teams and individual athletes that attain certain grades. Individual Scholar-Athletes attain at least a 3.5 weighted grade point average for the semester in which they competed. A varsity team earns Scholar-Athlete recognition by attaining a 3.1 (unweighted) aggregate GPA for that designated semester in the team division.
- The school receives a certificate honoring the accomplishment, and each member of the squad also receives a certificate. The school is responsible for submitting the nomination form verifying the grade point average on behalf of the athlete or team. Schools with teams holding top three highest GPAs in each sport receive cash awards for their athletic program.

Media Rights Fees:

- Rights fee for the Host school in a Thursday or Friday night designated 'NCHSAA Game of the Week' for football and basketball. A stipend is provided to the host high school, \$500 for a football game and \$350 for a basketball game.

Partner Initiatives/Commissioner's Cup awards:

- From time to time, corporate partners work with the NCHSAA to create and implement programs for schools and/or student athletes which provide funding to the schools.
- Since 2014/15, the NCHSAA has awarded Commissioner's Cups to schools excelling in community service and outreach efforts.

#3. Total Funds Disbursed to the Membership Over the Past 10 years.

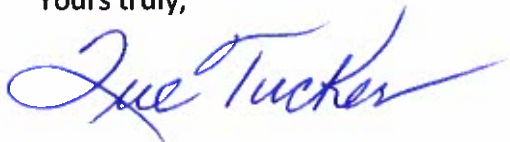
Please see Attachment A.

#4. Approvals at the Spring Meeting of the Board of Directors--FYI

- Approved an updated spending policy for the General Endowment
 - In 2011/12, an NCHSAA Strategic Plan was put into place and included a Priority relative to Budget, Funding & Revenues. Within the Priority, goals were identified, one of which focused on evaluating funding sources and availability of funds. A number of the distribution methods outlined above in item #2 were developed as a result and have provided guidance for distribution of revenues to member schools over the past ten (10) years. In order to provide additional framework and guidelines moving forward, a more formal spending policy was developed and recently approved by the Board of Directors.
- Approved the payment of Catastrophic Insurance Premiums as a membership benefit
 - Based on research of the 1986 minutes from a meeting of the Board of Directors, this recent decision accomplishes the vision shared by then Executive Director Charlie Adams as he explored the idea of "endowing the NCHSAA", and one day providing free catastrophic insurance as one of the benefits of NCHSAA membership.

It is my hope this information provides the information necessary to answer several of the questions and concerns expressed by the sub-committee members on April 15, 2021.

Yours truly,



Que Tucker, Commissioner

CC: Members of the Sub-Committee on Interscholastic Athletics
NCHSAA Board of Directors
NCHSAA Staff-Commissioners