

FUTURE ACTION ITEM #1

FY25 Athletics Budget Approval

(Leslie Brunelli/Anne McCoy/Jon Haarlow)

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Athletics Budget Approval for FY25

SUBMITTED BY: Anne McCoy, Interim Athletics Director
Leslie Brunelli, Executive Vice President, Finance & Administration/CFO

SUPPORTING INFORMATION: In accordance with RCW 28B.15.120, state legislation, and to maintain compliance with Athletics Plan for Fiscal Recovery, the Athletic annual operating budget is presented to the Board of Regents for approval.

Introduction

Washington State University Athletics is committed to providing its student-athletes with a world-class collegiate experience. As a member of the Pac-12 Conference, WSU was aligned alongside the top academic and athletic institutions in the nation. That changed August 4, 2023, when it was confirmed the Pac-12 had failed to secure a long-term media rights agreement and 10 of the 12 universities departed through conference realignment, leaving only Washington State and Oregon State as Pac-12 members beginning July 2024.

The lack of a media rights agreement drastically impacts the Athletics budget going forward, resulting in significant revenue decreases to the FY25 Athletics budget, as well as future years. The NCAA has granted a two-year grace period for the Pac-12 to operate with only the two schools, before requiring it to be at the NCAA minimum of eight schools beginning with the 2026 academic year.

The resulting conference instability has forced Washington State to pursue opportunities with scheduling affiliations, media rights, and other revenue generating opportunities that would typically be secured at the conference level. The fiscal challenges have resulted in a reduced budget the Athletics is presenting to the WSU Board of Regents for FY25.

Revenues

Revenue forecasts for FY25 are based on current contracts, historical sales, ongoing media discussions, and close collaboration with the Pac-12 conference. Ticket sales, contributions, and game-related revenues are based off prior year actuals, taking into consideration a shift in conference affiliation. Additionally, conference and NCAA distributions continue to be a primary revenue source, while royalties and advertising combine to be the second highest revenue category for FY25.

Expenses

To ensure a balanced budget for FY25, Athletics reduced expenses to match forecasted incoming revenues. Therefore, Athletics decreased its operating expense budget more than \$10M, decreasing from above \$85M to \$74M. These reductions focused on the necessity to maintain the highest-level student-athlete experience, while still achieving financial savings. Furthermore, reductions were made in consideration of schedule variations, market shifts, and changes to the college athletics landscape. As such, compensation, sport program expense, and external programs will each experience a decrease in available resources.

Summary

While conference realignment and the overall college athletics landscape remains incredibly fluid, Athletics continues its commitment to budgetary expectations while monitoring potential impacts to current and future year budgets. In collaboration with the Executive Vice President for Finance and Administration, Athletics continues their series of budget monitoring and financial accountability measures, and together will provide updates to the Board of Regents throughout the fiscal year. Athletics continues to gather key financial information about FY25 and presents this budget for approval based upon the latest information available.

Attachment A

| ATHLETIC REVENUE | FY24 Budget | FY24 Recast 3/1/24 | FY25 | Changes |
|--|--------------|-----------------------|-------------|---------------|
| Student Services & Activities Fee | 0.1 | 0.1 | - | (0.1) |
| Media Rights | 26.8 | 26.8 | | (26.8) |
| Conference Distribution | 9.7 | 18.0 | 38.4 | 20.4 |
| REVENUE ITEMS CONFERENCE/SETTLEMENT | 36.6 | 44.8 | 38.4 | (6.4) |
| Ticket Sales - Admissions Net of Tax | 7.7 | 7.5 | 7.0 | (0.5) |
| Student Sports Pass | 2.6 | 2.4 | 1.5 | (0.9) |
| Contributions | 10.5 | 9.5 | 7.8 | (1.7) |
| Program/Concessions | 1.1 | 1.3 | 0.8 | (0.5) |
| Guarantee Revenue | 0.3 | 0.3 | - | (0.3) |
| Other Revenue | 2.5 | 3.6 | 1.1 | (2.6) |
| REVENUE ITEMS WITH PROJECTED CHANGE | 24.7 | 24.6 | 18.2 | (6.4) |
| Endowments | 0.9 | 0.9 | 0.9 | - |
| NCAA Distribution | 1.6 | 1.6 | 1.6 | - |
| Royalties/Advertising | 4.2 | 4.3 | 4.3 | - |
| Student Fees - Debt Service | 0.7 | 0.7 | 0.7 | - |
| Direct Institutional Support - \$\$\$ | 2.4 | 2.4 | 2.5 | 0.1 |
| REVENUE ITEMS WITH MINIMAL CHANGE | 9.8 | 10.0 | 10.1 | 0.1 |
| REVENUE BEFORE OFFSETS | 71.0 | 79.4 | 66.7 | (12.7) |
| Sports Camp Revenue | 0.4 | 0.4 | 0.4 | - |
| Direct Institutional Support - GE Waivers | 3.4 | 3.4 | 3.4 | - |
| Indirect Institutional Support | 0.5 | 0.5 | 0.5 | - |
| In Kind Contributions | 1.6 | 1.6 | 1.6 | - |
| Bowl Revenue | 2.6 | - | 1.6 | 1.6 |
| REVENUE ITEMS = EXPENSE | 8.4 | 5.8 | 7.4 | 1.6 |
| TOTAL REVENUE | 79.4 | 85.2 | 74.0 | (11.2) |
| ATHLETIC EXPENSE | | | | |
| Scholarships | 9.4 | 9.0 | 8.3 | (0.6) |
| Compensation | 30.2 | 30.6 | 25.5 | (5.1) |
| Debt | 10.1 | 10.1 | 11.0 | 1.0 |
| TOTAL ADMINISTRATION | 49.6 | 49.6 | 44.9 | (4.7) |
| Recruiting | 1.6 | 1.9 | 1.9 | - |
| Team Travel | 4.5 | 5.1 | 3.8 | (1.3) |
| Equipment | 0.6 | 0.7 | 0.7 | - |
| Game Expenses | 2.6 | 2.6 | 2.0 | (0.6) |
| Medical Costs | 1.4 | 1.6 | 1.6 | (0.0) |
| Student Athlete Meals | 1.0 | 1.3 | 1.3 | - |
| TOTAL SPORTS PROGRAMS | 11.7 | 13.2 | 11.3 | (1.9) |
| Direct Admin Expense | 2.0 | 3.2 | 1.9 | (1.4) |
| Dues and Memberships | 2.6 | 2.9 | 0.1 | (2.8) |
| DIRECT ADMIN EXPENSE | 4.6 | 6.1 | 2.0 | (4.2) |
| Guarantee Expense | 1.6 | 1.8 | 1.8 | - |
| Fund Raising/Marketing | 1.2 | 1.2 | 0.9 | (0.3) |
| Spirit Groups | 0.2 | 0.2 | 0.1 | (0.1) |
| Other Expense | 6.1 | 7.2 | 5.8 | (1.5) |
| TOTAL OTHER EXPENSE | 9.0 | 10.4 | 8.6 | (1.9) |
| EXPENSE BEFORE OFFSETS | 75.0 | 79.4 | 66.7 | (12.7) |
| Sports Camp Expense | 0.4 | 0.4 | 0.4 | - |
| Scholarships - GE Waivers | 3.4 | 3.4 | 3.4 | - |
| Indirect Institutional Support | 0.5 | 0.5 | 0.5 | - |
| In Kind Contributions | 1.6 | 1.6 | 1.6 | - |
| Bowl Expense | 2.6 | - | 1.6 | 1.6 |
| EXPENSE ITEMS = REVENUE | 8.4 | 5.8 | 7.4 | 1.6 |
| TOTAL EXPENSE | 83.3 | 85.2 | 74.0 | (11.2) |
| | | | | - |
| Net Income from Operations | (3.9) | - | - | - |

Attachment B

| Washington State University | | | | | | | |
|---|--------------|--------------|---------------|--------------|---------------|----------------|-------------|
| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 (3/27) | FY25 |
| REVENUES: | | | | | | | |
| Ticket Sales | 9.5 | 8.6 | 0.0 | 9.3 | 10.2 | 9.9 | 8.5 |
| Contributions/Endowments | 12.4 | 10.7 | 8.5 | 10.7 | 12.7 | 10.4 | 8.8 |
| NCAA/Pac-12 | 34.2 | 34.7 | 22.5 | 38.7 | 35.9 | 46.3 | 40.1 |
| Royalties/Advert/Sponsor | 4.6 | 4.3 | 3.4 | 4.9 | 4.6 | 4.3 | 4.3 |
| Institutional Support | 0.0 | 0.0 | 0.0 | 0.0 | 2.4 | 2.4 | 2.5 |
| Waivers/Student Fees | 5.2 | 5.2 | 4.8 | 5.0 | 4.4 | 4.1 | 4.0 |
| Other Revenue | 5.8 | 6.6 | 0.8 | 6.4 | 8.9 | 7.7 | 5.9 |
| Total Revenue | 71.7 | 70.1 | 40.0 | 75.0 | 79.0 | 85.2 | 74.0 |
| EXPENSES: | | | | | | | |
| Compensation | 27.7 | 28.5 | 25.6 | 29.1 | 29.8 | 30.7 | 25.5 |
| Scholarships | 11.0 | 10.5 | 11.4 | 12.2 | 12.3 | 12.4 | 11.7 |
| Sport Programs | 11.4 | 10.7 | 7.4 | 13.2 | 16.8 | 14.3 | 11.3 |
| Marketing/Fund Raising | 1.8 | 1.3 | 1.2 | 1.5 | 2.6 | 1.8 | 0.9 |
| Debt Payments | 9.2 | 9.2 | 10.0 | 10.8 | 11.0 | 10.1 | 11.0 |
| Direct Admin/Dues | 4.7 | 4.6 | 4.6 | 3.6 | 4.6 | 6.1 | 2.0 |
| Other Expense | 10.3 | 12.5 | 4.8 | 12.6 | 13.7 | 9.9 | 11.6 |
| Total Expenses | 76.1 | 77.3 | 65.0 | 83.0 | 90.9 | 85.2 | 74.0 |
| Net Income from Operations | (4.4) | (7.2) | (25.0) | (8.0) | (11.9) | 0.0 | 0.0 |
| Proceeds from Financing/Savings from Debt Refinanci | | | 35.6 | 10.0 | 0.0 | 0.0 | 0.0 |
| Net Income After Financing | (4.6) | (7.1) | 10.6 | 2.0 | (11.9) | 0.0 | 0.0 |

*There may be minor differences in subtotals shown above due to rounding to dollars million.