

**INFORMATION ITEM #3**  
Athletics Budget Update  
(Leslie Brunelli/Pat Chun/Jon Haarlow)

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Athletics Budget Update for FY23 and FY24

SUBMITTED BY: Pat Chun, Athletics Director  
Leslie Brunelli, Executive Vice President, Finance & Administration/CFO

SUPPORTING  
INFORMATION: **Closing of FY23 Athletics Budget**

The Board of Regents approved an adjustment to the FY23 Athletics budget in September of 2023, with a projected shortfall of \$11.9 million.

WSU Athletics, in conjunction with University Accounting, have completed the annual NCAA Agreed-Upon Procedures report. The final, bottom line FY23 shortfall of \$11.9M million, has not changed since the September approved update. The final Athletics budget report has been reviewed by University external auditor, Eide Bailly, and successfully submitted to the NCAA as required by January 15, 2024.

Additional Athletic related revenue and expense information can be found at the link below. Revenue and expense information is updated annually with the completion of the audit and the submission of the NCAA Agreed-Upon Procedures financial report in January of each year.

<https://wsucougars.com/sports/2016/7/26/eada-reports.aspx>

See Attachment A

## **FY24 Update**

### **Revenues**

Early season ticket projections indicated sales were on pace to meet or exceed budget. However, the back half of the football season saw decreased demand and a missed bowl opportunity resulting in an updated forecast of a \$900k budget shortfall. Athletics continues to actively monitor the volatility of ticket sales. Final sales are subject to variability influenced by the remaining conference portion of men's and women's basketball and the upcoming baseball seasons.

As previously discussed, the University was aware of the \$4M revenue shortfall from the Pac-12 media partner revenue distributions headed into FY24. However, since the last update, the Pac-12 conference is now projecting an additional \$1.1M shortfall in distributions per school due to a failure to secure title sponsorship revenue, a change in scope of services, and an approved retention and severance package through the end of FY24.

Other areas with a projected revenue shortfall are student fees and bowl revenue. Athletics currently projects a \$25K shortfall in student fees tied to enrollment and a \$2.6M shortfall in revenue tied to missing bowl season. However, while a lack of participation in a bowl result in missed revenue, it also results in less expenses, as the revenue and associated expense net to a \$0 impact to the bottom line.

While there are current anticipated shortfalls, there are several areas where Athletics projects to meet or exceed revenue expectations. Operational contributions are trending \$25K higher in endowment distributions and \$50k higher in operational support from the Foundation. Furthermore, royalty revenue tied to licensing fees are trending \$100k higher than budgeted through the first two quarters of reporting. Contracted sponsorships and philanthropic contributions are currently on pace to meet budget, though most donation activity will take place in the spring semester during the football renewal season. Other auxiliary related revenues are on pace to meet budget. Athletics remains actively engaged in revenue generation strategies to increase revenue for FY2024.

### **Expenses**

Halfway through the reporting period, Athletics has started to see variability in the expense lines. Specifically, Athletics projects a \$300k overage in compensation due to increased student wages and overtime expense in the fall. This projection is subject to change as the fall historically experiences heavier hourly activity and as additional

budgetary changes are implemented throughout the spring semester. Athletics continues to see increased costs and activity related to student athlete health and medical care and is projecting a \$200k overage related to student athlete medical expenses. Additionally, as the fall seasons conclude, Athletics projects a \$200k overage related to fall championship travel and game guarantees. Furthermore, there have been new, unbudgeted expenses related to conference realignment and securing future scheduling opportunities. As of now, and subject to change, Athletics is projecting \$1.3M in unbudgeted expenses related to new conference opportunities. Finally, there is a projected \$200k overage in facility maintenance cost related to resodding the Lower Soccer Field. Conversely to current projected overages, Athletics is forecasting \$400k savings in scholarships and financial aid due to rosters returning to pre-COVID numbers and alterations made to summer program offerings.

Athletics continues the regularly scheduled budget discussions with each sport and unit leader, as sport program expenses (recruiting, travel, equipment, student-athlete meals, game expenses) continue to be a priority line item to monitor. More details related to fall sport travel and team related expenses will be available for discussion by the March of 2024 Board of Regents meeting. Athletics remains proactive in forecasting and anticipating potential impacts to current and future year budgets and will update the Board of Regents and the Athletic Budget Oversight Committee as information is available.

See Attachment B and C

## **FY25 Preliminary Budget Planning**

While conference-related legal activity continued throughout the fall and will evolve into the winter months, Athletics began budget scenario planning for FY25. An external consultant, MRJ Advisors, was engaged to provide benchmarking for athletic programs at other institutions, particularly those in the Mountain West. At this time, we are working to set a ceiling and a floor for the next year's budget. There will continue to be revenue uncertainty in the development of this budget, but we cannot effectively plan expenses until we define the expected revenue target.

Attachment A

Athletics FY23			
REVENUES:	Budget	Actuals	Variance to Budget
Ticket Sales	10.0	10.2	0.2
Contributions/Endowments	10.8	12.7	1.9
NCAA/Pac-12	40.7	35.9	(4.8)
Royalties/Advert/Sponsor	4.1	4.6	0.5
Direct Institutional Support	1.4	2.4	1.0
Waivers/Student Fees	5.1	4.4	(0.7)
Other Revenue	8.5	8.9	0.4
<b>Total Revenue</b>	<b>80.6</b>	<b>79.0</b>	<b>(1.6)</b>

**EXPENSES:**

Compensation	29.4	29.8	(0.4)
Scholarships	12.1	12.3	(0.2)
Sport Programs	13.5	16.8	(3.3)
Marketing/Fund Raising	1.9	2.6	(0.7)
Debt Payments	10.0	11.0	(1.1)
Direct Admin/Dues	4.5	4.6	(0.1)
Other Expense	10.3	13.7	(3.4)
<b>Total Expenses</b>	<b>81.6</b>	<b>90.9</b>	<b>(9.2)</b>

<b>Net Income from Operations</b>	<b>(1.0)</b>	<b>(11.9)</b>	<b>(10.9)</b>
<b>Savings from Bond Refunding</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Income After Savings</b>	<b>(0.0)</b>	<b>(11.9)</b>	<b>(11.9)</b>

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

Attachment B

<b>Athletics Budget Projections FY24</b>			
<b>REVENUES:</b>	<b>Budget</b>	<b>Jan.</b>	<b>Variance</b>
Ticket Sales	10.3	9.4	(0.9)
Contributions/Endowments	11.4	11.4	0.1
<b>NCAA/Pac-12</b>	<b>38.1</b>	<b>37.0</b>	<b>(1.1)</b>
Royalties/Advert/Sponsor	4.2	4.3	0.1
Direct Institutional Support	2.4	2.4	0.0
Waivers/Student Fees	4.2	4.1	(0.1)
<b>Other Revenue</b>	<b>8.9</b>	<b>6.3</b>	<b>(2.6)</b>
<b>Total Revenue</b>	<b>79.4</b>	<b>75.0</b>	<b>(4.4)</b>
<b>EXPENSES:</b>			
Compensation	30.3	30.6	(0.3)
Scholarships	12.9	12.5	0.4
<b>Sport Programs</b>	<b>12.8</b>	<b>13.1</b>	<b>(0.3)</b>
Marketing/Fund Raising	1.8	1.8	0.0
Debt Payments	10.1	10.1	0.0
<b>Direct Admin/Dues</b>	<b>4.6</b>	<b>5.8</b>	<b>(1.2)</b>
Other Expense	11.0	8.9	2.1
<b>Total Expenses</b>	<b>83.4</b>	<b>82.6</b>	<b>0.8</b>
<b>Net Income from Operations</b>	<b>(4.0)</b>	<b>(7.6)</b>	<b>(3.6)</b>

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

Attachment C

<b>Washington State University</b>				
<b>REVENUES:</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24 (12/31)</b>
Ticket Sales	0.0	9.3	10.2	9.4
Contributions/Endowments	8.5	10.7	12.7	11.4
NCAA/Pac-12	22.5	38.7	35.9	37.0
Royalties/Advert/Sponsor	3.4	4.9	4.6	4.3
Institutional Support	0.0	0.0	2.4	2.4
Waivers/Student Fees	4.8	5.0	4.4	4.1
Other Revenue	0.8	6.4	8.9	6.3
<b>Total Revenue</b>	<b>40.0</b>	<b>75.0</b>	<b>79.0</b>	<b>75.0</b>
<b>EXPENSES:</b>				
Compensation	25.6	29.1	29.8	30.6
Scholarships	11.4	12.2	12.3	12.5
Sport Programs	7.4	13.2	16.8	13.1
Marketing/Fund Raising	1.2	1.5	2.6	1.8
Debt Payments	10.0	10.8	11.0	10.1
Direct Admin/Dues	4.6	3.6	4.6	5.8
Other Expense	4.8	12.6	13.7	8.9
<b>Total Expenses</b>	<b>65.0</b>	<b>83.0</b>	<b>90.9</b>	<b>82.6</b>
<b>Net Income from Operations</b>	<b>(25.0)</b>	<b>(8.0)</b>	<b>(11.9)</b>	<b>(7.6)</b>
Proceeds from Financing/Savings from Debt Refinance	35.6	10.0	0.0	0.0
<b>Net Income After Financing</b>	<b>10.6</b>	<b>2.0</b>	<b>(11.9)</b>	<b>(7.6)</b>