

**Attendance:** Dom Miller, Steven Miller, Azeem Hussaini, Trang Dang, Sherm Bloomer & Karren Cholewinski

Deadline for comments to Sherm on the draft Budget document: December 16, 2016.

**Update – Sherm:**

- Governor's Budget announced today, Thursday, December 1<sup>st</sup>. The Governor indicated funding for higher education will be flat during the next biennium, July 2017-June 2019. The actual funding for higher education for the next fiscal biennium will be finalized during the 2017 Oregon Legislative session.
- Currently the request for information about administrative costs are being assessed by staff in the Budget Office.
- There is a cost savings model available from 2008 (with data through 2005), but it does not take into account the 2008 recession data. Enrollment Management has undertaken an external review of processes and expenses. This information may help to inform future budgetary commitments and direction.

**Athletics' Financial Workgroup Discussion**

Funding History for Athletics

- In fiscal year 2013, when the University was operating under the Oregon State Board of Higher Education (OSBHE), the PAC-12 funding kicked in. At this point, OSU Administration backed off the historical commitment to Athletics of \$8M annually in anticipation the PAC-12 revenues would cover the Education & General funds commitment.
- Beginning in fiscal year 2014, Athletics began spending more money than was budgeted for operations, resulting in a deficit spending trend. They began losing money, football ticket sales were down, sport that provides the majority of funding for the OSU athletics program.
- Athletics continued operating in the red through fiscal year 2016 (June 30, 2016), without a new funding or budget model/direction for Athletics' operations.

Division 1 – PAC-12 & Football

- The Football program at OSU has a net revenue (income minus expenses) of about \$15M annually. In comparison, Men's Basketball, although a high profile sport has revenue which is flat (breakeven).
- In the PAC-12, it is an accepted practice to fund other Athletic programs with Football program net revenue.
- Typically, the institutional support funds (Education & General at OSU) provides funding for the other sports within an athletics program.
- A national consultant hired by the PAC-12 reviewed the athletic programs of the PAC-12 schools and determined there is a cost disparity between the private institutions (Stanford and USC) and the public universities (OSU, Oregon, WSU, UW, UCLA, UC-Berkley, Utah, Colorado, Arizona & ASU). OSU is in the bottom third for athletics funding.
- Athletics, specifically football, has been part of OSU since the formation of the first team in 1893. Academics is a component within PAC-12, and of which OSU is wholly engaged. Football and other sports are for some students, part of the "college experience". Additionally, Athletics, principally football, is a factor in the positive relationship with Corvallis community.

- Participation in the PAC-12 requires the institution to have 14 sporting events; OSU has 16 events.
- Rec and Intramural sports are outside of NCAA athletics.

#### Workgroup Findings

- The Athletics' workgroup looked at the cost of participating in the PAC-12 (Division 1) Conference. What does it take to make the Athletics' program whole?
- The workgroup agreed on a major funding change for athletic facilities at OSU. All future new facilities will not be an OSU debt obligation. Other sources of funds will be required, such as donor funding. OSU will not be using the institutions mortgage ability for athletics projects. This change is in effect until changed by another president, etc.
- Gill Coliseum utility expenses are paid centrally rather than by Athletics. Arrangements are being made to correct so Athletics pays for everything related to athletic programs.
- Previous litigation - paying athletes for use of their images. This is off the table.

#### Workgroup Solutions

- Need to identify the realistic costs of athletics at Oregon State University.
- OSU Foundation must have an expectation for increasing fund raising for Athletics.
- Support from the OSU Education and General Fund will increase \$4M more over time, and return to the \$8M historical threshold by FY2020. The \$8M E&G support for Athletics will continue into the future.
- The goal is for Athletics to reach a breakeven operation by FY2020.
- Payoff existing debt.
- Increase Revenues
  - OSU owns radio rights, in renegotiation, and should result in revenues of \$3.3M by fiscal year 2020.
  - Athletic events ticket prices will be increased, generating more revenue for Athletics, bringing the pricing more in line with market rates.
- Sherm provided a detailed explanation of Figures 1 & 2.
- Hope for more self-sufficiency? Expectation...Internal MOU with OSUF; Athletic Director's job to keep the budget balanced for athletics; Willing to give back Net revenues but Athletics must balance their budget into the future; Up to the University President to set the hard line; Athletic director reports to President; Athletics is losing \$500K in sports lottery funding.
- The workgroup wrote a 28-page detailed report. Sherm shared a summary of the full report with the SBAC and other internal groups. Final report goes to President Ray on December 15, 2016 for review and comment. There will be a report to the Board of Trustees at the January 2017 meeting.
- There is no expectation for the SBAC to endorse the workgroup's report.
- Please share thoughts or observations about the information provided with Sherm.

#### Football Program Discussion

- The FY2017 football ticket sales were improved; on track to cut the negative fund balance.
- Institutional commitment of \$8M to Athletics for the foreseeable future.
- Debt picture – OSU needs to use financing capacity for on-campus services and not Athletics. All future Athletics construction projects will need to be privately funded.

- The reality of Division 1 conference vs. a smaller conference, the institution ends up spending \$10-11M to support the athletics program.
- Women's Basketball still required additional funding to support the team's success. A coach's contract was renegotiated but they did not spend all the postseason budget. The success of all teams is good for the whole in PAC-12
- Is the trade-off worth it? At present, OSU Athletics has a large debt service to manage. The worst case scenario at this point is refinancing the entire debt.
- Benchmarks – Memorandum of Understanding with Athletics will lay out annual benchmarks, what to do; the how to do will come later.

### **Budget Document**

- Sherm shared with the UBC the conversations captured and what is important.
- The sense of state funding is still unclear.
- What is driving the cost assessments? What are the big drivers?
- Discussed the tuition scenarios and the budget impacts of the different options.
- Discussion about cost reduction strategies - visible or not?
- Table - Budget gap, \$15-20 million
- NEW - January 18, 2017: Board of Trustee's hear about the tuition budget scenarios for the first time. There will be a Public Comment period.

**Next Meeting:** January 2017 – Karren will send out a message with the meeting dates/times.