



HUMBOLDT STATE UNIVERSITY

Office of the President

Date: 10 March 2017

To: Tom Trepiaak, Interim Athletic Director

Cc: Head coaches:

Michelle Bento-Jackson, Women's Basketball

Fred Jungemann, Men's Soccer

Paul Karver, Women's Soccer

Steve Kinder, Men's Basketball

Robin Meiggs, Women's Rowing

Scott Pesch, Men's and Women's Track and Field and Cross Country

Shelli Sarchett, Softball

Rob Smith, Football

Kelly Wood, Women's Volleyball

Peg Blake, Vice President for Enrollment Management and Student Affairs

Amber Blakeslee, Budget Director

John Capaccio, Interim Associate Vice President for Enrollment Management

Kim Comet, Director of Risk Management and Safety Services

Alex Enyedi, Provost and Vice President for Academic Affairs

Steve Ladwig, Interim Director of Admissions and New Student Programs

Joyce Lopes, Vice President for Administrative Affairs

Colleen Mullery, Senior Associate Vice President for Human Resources

Craig Wruck, Vice President for University Advancement

From: Lisa A. Rossbacher, President

Re: Next steps for HSU Athletics, Short-Term

This memo outlines the near-term plan as we make the decisions necessary to ensure HSU Intercollegiate Athletics becomes financially sustainable. Because I want this document to stand alone, I am including background information that provides some context for the next steps presented here.

How we got here

In 2015-16, HSU Intercollegiate Athletics spent \$5.8 million. The budget is funded primarily by student fees (\$4.3 million in 2015-16), with the remaining revenue coming from various other sources, including contributions, ticket sales, concessions, royalties, advertising, and sponsorships. Intercollegiate Athletics has had a growing deficit over the last few years, and 2015-16 was the first year Intercollegiate Athletics

was unable to cover the deficit with existing reserves. As a result, \$245,000 in one-time General Fund support was provided to Athletics in 2015-16.

The deficit is primarily the result of 1) constraints on revenues and 2) increasing expenditures that are outside the University's control. The Intercollegiate Athletics program has had more success in fundraising than other institutions in our athletic conference, but our fundraising has focused on scholarships and not programmatic needs. Even with this success, fundraising plateaued in recent years, and the student fee for Instructionally Related Activities (IRA) has not changed since 2011-12. As revenues have remained flat, costs have increased, including the growing expenses associated with travel for teams and compensation and benefits for coaches and staff. To be clear, the current budget deficit is not the result of uncontrolled spending or mismanagement of funds. While cost savings are possible, even substantial savings are not likely to produce a significant impact on the budget deficit.

In fall 2016, Strategic Edge Athletic Consulting prepared an assessment of the Intercollegiate Athletics programs at HSU; this report and related materials are available on the HSU website

(http://www2.humboldt.edu/president/sites/default/files/hsu_athletics_asesment_01-04-2017.pdf). Although I initially considered appointing a task force to formulate recommendations, the number of people who would have been required for a representative group was too large for a functional committee, so I decided to utilize a "virtual task force" to seek broad input. In February and early March 2017, I consulted with more than 30 constituents about the information, analyses, and suggestions from the Strategic Edge assessment. This letter represents my evaluation of the situation, informed by many members of the University and local community, and it outlines the actions for the next six months.

Where we are now: Our current status

Here are essential facts relevant to our situation:

- The proposed 2016-17 budget for Intercollegiate Athletics reflected a deficit of \$669,000 in the current fiscal year (ending 30 June 2017). General Fund support of \$500,000 was earmarked on a one-time basis to alleviate the deficit, with the remaining deficit anticipated to be covered through a combination of remaining reserves for Intercollegiate Athletics and reduced spending.
- The overall base-budget deficit for the University was projected to be \$500,000 in the current fiscal year. However, after factoring in on-going one-time-funded activities and existing deficits in the colleges, the University's structural deficit grows close to \$2 million for 2016-17. In addition, the deficit is anticipated to increase in 2017-18 due to a combination of unfunded costs and lower enrollment. The projected deficits for the current year and for next year do not include the shortfall in Intercollegiate Athletics.
- HSU students already pay the highest Instructionally Related Activities ("IRA") fee in the California State University system (\$674/year for a full-

- time student). The next highest IRA fee in the University System in 2016-17 is \$460/full-time student/year at Sonoma State.
- Of the IRA fee, 77% is directed to Intercollegiate Athletics (\$4.2 million in 2016-17).
 - Retention and graduation rates for student athletes are marginally (up to 5%) higher than the average for HSU.

Among the people I have consulted, everyone agreed that HSU should maintain our current athletic conferences and affiliations. NCAA Division II appears to be the best fit in competitiveness, similarity of schools, travel (despite the challenges and distances involved), and traditional rivalries.

Multiple people have suggested (and the Strategic Edge assessment implied) that all of the Intercollegiate Athletics financial problems would be solved if the University could make an on-going allocation of about \$800,000 in General Funds. However, this is not a viable option due to the University's structural budget deficit and limited financial reserves. The University still faces the financial challenges that led to the decision to shift funding for Intercollegiate Athletics from General Funds to student fees and fundraising, and the University's financial circumstances do not allow us to reverse that decision now. To do so would exacerbate the existing budget deficit for the University.

Several people speculated about opportunities to benefit from philanthropy related to recent changes in the cannabis industry. However, the California State University and its campuses are not permitted to accept funds from that industry. Direction from the California State University's Office of the Chancellor (dated 21 November 2016) noted, "Accepting donations or grants funded in whole or in part from individuals, businesses or trade groups involved in the marijuana industry could subject the campus or auxiliary to money laundering charges and penalties." Despite current State law, cannabis-related activities are criminal under Federal law, and engagement with that industry could jeopardize federal funding for the University. Consequently, the cannabis industry is not a viable source of contributions for Intercollegiate Athletics or the University.

Where we go from here: Next steps in the short term, while we make decisions for the long-term

The current funding model for Intercollegiate Athletics is not sustainable. The Strategic Edge assessment concludes, "If athletics is to be maintained at HSU, something must change" (p. 94). Although I had hoped to make some clear decisions about those changes by now, the complexity of the situation and the commitments that have already been made to student-athletes for the upcoming academic year make it appropriate to identify short-term plans as we move toward long-term solutions.

Over the next six months, Athletic Director will commit to doing the following:

- 1) Continue to monitor the current year budget, keeping the deficit as low as possible (ideally under \$500,000), and to notify me of any changes in the projected year-end fund levels, whether positive or negative.
- 2) Work with the commissioners of our two athletic conferences (CCAA and GNAC) to ensure that HSU is assigned the most effective and efficient schedule possible, in terms of minimizing both travel costs and student time away from campus.
- 3) Continue to manage the distribution of scholarship support for student athletes to ensure compliance with Title IX and gender equity requirements.
- 4) Provide me by April 15 with an updated budget projection through year-end for 2016-17, the proposed Intercollegiate Athletics budget for 2017-18, and a five-year financial plan for Intercollegiate Athletics that is balanced and does not include General Funds or a student fee increase.
- 5) Work with academic advisors to ensure that students are advised in ways that support their ability to graduate in four years, consistent with the CSU's Graduation Initiative 2025.

Over the next six months, the Vice President for University Advancement and the Athletic Director will commit to doing the following:

- 1) Meet monthly, beginning this month. Other staff members from the two areas should be included as appropriate. The goal is to establish a positive working relationship and identify areas of synergy and cooperation; the relationship should be collaborative and not competitive. The vital need to eliminate the sense of competition applies to the relationship between Intercollegiate Athletics and Advancement as well as between individual sports within Athletics. Notes will be kept about the topics discussed and decisions reached in these meetings, and I want to receive a copy of those notes.
- 2) Develop a list of projects and specific programmatic (non-scholarship) needs around which efforts can be organized to raise funds for Intercollegiate Athletics. The goal is to identify fund-raising opportunities that can meet the financial needs of Intercollegiate Athletics (beyond scholarships) and provide accountability and transparency to donors. Examples might include fundraising for uniforms, equipment, travel, training table expenses, specific renovations, and other items that could help ease the budget deficit. A list of these possibilities and a plan for execution will be provided to me by 1 June.
- 3) Work with staff in Advancement and Intercollegiate Athletics to develop a list of student-athletes who have graduated from HSU and create an outreach plan to engage – or re-engage – with this group. One aspect of this plan could be connecting with alumni (both former student-athletes and others) at away competitions through receptions, tail-gates, and other activities. The Alumni and Engagement Office will provide leadership for managing and prioritizing these relationships in collaboration with the colleges and academic

- departments with which alumni may have existing relationships and in coordination with Intercollegiate Athletics.
- 4) Coordinate licensing and use of trademarks with each other and with the University's Director of Risk Management and Safety Services.

The Athletic Director, the Director of Admissions, and the Associate Vice President for Enrollment Management will commit to doing the following:

- 1) Develop a plan to include the coaches in the overall recruiting effort to maximize their involvement in attracting new students (including and beyond student-athletes) to HSU. A written plan for this partnership for 2017-18 will be forwarded to me by 1 June, including benchmarks that indicate how we will measure the success of this effort.

The coaches will commit to doing the following:

- 1) Engage in the life of the University, including participation on committees and task forces and campus events outside of Intercollegiate Athletics.
- 2) Help implement the larger recruiting plan that the Athletic Director and the Director of Admissions/Associate Vice President for Enrollment Management develop in order to enhance student recruitment for the whole University.
- 3) Assist, as appropriate, the Athletic Director and the Vice President for University Advancement to develop and implement strategies for coordinated fundraising.
- 4) Refrain from making any commitments for athletic scholarships to student-athletes prior to 1 December 2017, when we will have made additional decisions and the path forward will be clearer.

The Provost and Vice President for Academic Affairs will commit to doing the following:

- 1) Assess the role of physical education classes that carry academic credit and which could be taught by coaches to determine whether we could further utilize their knowledge and skills to benefit students and have them more involved in the teaching mission of the University. The benefits will need to be weighed against the Graduation Initiative 2025, HSU's goals for increasing graduation and retention rates, and helping students graduate in four years with minimal excess academic credits.

Over the next six months, I commit to doing the following:

- 1) Initiate the search for a new Athletic Director, with an optimal starting date of August 1.
- 2) Appoint a representative of my office to the Intercollegiate Athletics Advisory Committee (this position is currently vacant).

- 3) Utilize my communication channels (KHSU, blogs, and social media) to emphasize the value of athletics as part of the University.
- 4) Continue engaging with members of the University community and the external communities regarding the future of Intercollegiate Athletics.
- 5) Complete decisions about longer-term plans by the end of November 2017.
- 6) Hold all parties accountable for reinforcing that athletics is an integral part of the University and for following through on the commitments above.

Next steps in the longer term

By late November, we will have a better sense of the projected fiscal situation for the next several years, and our decisions will be better informed. I want to ensure that changes we have to make in Intercollegiate Athletics are based on full consideration of the evidence and an understanding of the broader impacts. If we must reduce the number of sports that we can support, that decision must be based on factual evidence. As I have stated from the beginning, my ultimate goals are to ensure that costs do not exceed resources and that the changes are accomplished in a way that minimizes the disruption to the educational experience of student-athletes.

Thank you for your support and patience as we address these challenges.