

Athletics Risk Management Report

BACKGROUND

The Executive, Audit and Governance Committee annually reviews with university leadership the top risks that may impact Oregon State University's ability to meet its mission and strategic objectives. Each of the top risks identified are assigned to the various board committees based on alignment with each committee's charter and workload. Through this process, the university identified and will track the current competitive, financial and compliance environment for the Department of Intercollegiate Athletics (Athletics) as a top risk for the university. The Executive, Audit and Governance Committee provides oversight of the university's plan for mitigating this risk.

VISION / MISSION

Athletics focuses on the holistic growth of its student-athletes through academic and athletic excellence in a progressive and inclusive environment of mutual respect. The Department of Intercollegiate Athletics revised the *Build the Dam Strategic Plan* and launched version 2.0. Alongside the strategic plan, decisions are guided by principles formed with university leaders as the collegiate athletics landscape evolves and the Pac-12 Conference rebuild continues. These guiding principles, which are listed below, are consistent with the values that inform *Prosperity Widely Shared* (PWS).

Oregon State University Guiding Principles through Realignment:

1. Prioritize the holistic development and well-being of student athletes to support their academic and athletic goals.
2. Champion the ability of OSU student-athletes to compete at the highest level possible.
3. Provide the best experience for alumni and fans to inspire engagement across all sports.
4. Create visibility for OSU nationally and globally.
5. Maximize financial resources for OSU Athletics programs and support for student-athletes.

COMPETITIVE ENVIRONMENT

After ten schools left the Pac-12 conference, only Oregon State and Washington State University remained for the 2024-25 athletic year. OSU sponsors 16 NCAA sports (plus men's rowing): baseball (men), basketball (men and women), cross country (women), football (men), golf (men and women), gymnastics (women), rowing (men and women), soccer (men and women), softball (women), indoor and outdoor track and field (women), volleyball (women) and wrestling (men).

The 2024-25 and 2025-26 scheduling agreements are as follows:

- Mountain West Conference: football (under the Pac-12 umbrella) for 2024-25 only
- West Coast Conference: men's and women's basketball, men's and women's soccer, men's and women's golf, cross country, volleyball, women's rowing and softball
- Pac-12 Conference: football (2025-26), gymnastics, baseball, wrestling, outdoor track & field
- Mountain Pacific Sports Federation: Indoor track & field and men's rowing

The rebuilding process for the Pac-12 reached a significant milestone with the addition of Boise State, Colorado State, Fresno State, Gonzaga, San Diego State and Utah State. These universities align with our values, emphasizing the health and wellbeing of student-athletes while providing top-level competition.

The revitalized Pac-12 are a formidable collection, prepared to compete at the highest level in every sport:

- The new Pac-12 composition ranks 5th in terms of weeks ranked in the CFP (College Football Playoff) poll, as well as hypothetical 12-team CFP appearances during the CFP era when modeling past seasons with conference composition as of September 2024.
- Despite having only seven football members, which is fewer than half of the A4/P4 leagues that each have 16-18 teams.
- The new Pac-12 would rank 5th in football viewership from 2018 to 2023, excluding 2020. It is significantly ahead of the 6th ranked conference.
- The new Pac-12 would place 5th in the SP+ Football Rankings for 2018-2023, excluding 2020. It is positioned close to the ACC and Big 12.
- According to the 2024-2025 Bart Torvik rankings, the new Pac-12 would rank as the 6th best basketball conference.

The conference is using set criteria to decide which institution to add to meet the NCAA's minimum of eight football-playing members and evaluating the benefits of adding more. The new Pac-12 will start competing in 2026-27.

FINANCIAL ENVIRONMENT

The landscape of intercollegiate athletics continues to see significant change and disruption. While every department in the country has been impacted, Oregon State has been disproportionately impacted by conference realignment. Since August 2024, university and athletic department leadership have worked in constant collaboration, leaning into our guiding principles, to find the best path forward for our student-athletes, athletic department and the university.

With scheduling agreements for the 2024-25 and 2025-26 athletic years completed, the next phase was the rebuilding of the Pac-12. The consummation of a media rights agreement for the rebuilt Pac-12 and the required addition of at least one more football-playing member are expected later this spring. The new media rights agreement is a primary factor in forecasting significantly decreased conference distribution.

In addition to projected decreases in conference distribution, complying with and participating in key changes expected to come via final court approval of the *House vs NCAA* class action lawsuit will have a significant financial impact.

The executive administrative team in Athletics has recurring meetings to strategize for increased revenue generation and assess expenses for potential cost reductions.

HOUSE SETTLEMENT

The *House vs. NCAA* class action settlement is likely to significantly impact the industry. This settlement, if approved, would provide the opportunity for universities to begin sharing revenue directly with student athletes, and it is important that OSU participate in the settlement to some

degree to maintain competitiveness. Structuring how OSU participates in the settlement and setting up systems of compliance with related rules is a top priority for the department.

The settlement was preliminarily approved in the U.S. District Court on October 7, 2024, and final court approval is anticipated later this spring. Under the settlement terms, these are the key changes that will go into effect July 1, 2025:

- Universities will be permitted to share up to \$20.5M a year in revenue with student-athletes to support student-athlete benefits. These benefits can be in the form of direct compensation for the use of their Name, Image, and Likeness (NIL), *Alston* academic awards, additional scholarships, new student-athlete benefits provided at the institution's discretion, etc. Currently, student-athletes can only receive scholarships and *Alston* academic awards and they can only be compensated for NIL agreements by external entities.
- Roster and Scholarship Adjustments: New NCAA roster limits will set a cap on the number of student-athletes eligible for each team, and programs will now be permitted to fund as many scholarships as available roster spots.
- NIL Backpay for Eligible Athletes: All Division I athletes who participated in collegiate sports between 2016 and 2024 are eligible for backpay for NIL earnings. For Oregon State, this expense will result in a deduction in conference distributions over the next decade.

To comply with the expected final settlement terms and adhere to Title IX regulations, roster adjustments will be implemented. Although it is anticipated that the number of permissible scholarships may increase, the Athletics department does not foresee an increase in the number of scholarships for any sport due to financial limitations. However, to remain competitive, recruit and retain student athletes, we must participate in revenue sharing at a meaningful level.

COMPLIANCE

The Oregon State University Athletics Compliance Office operates with the primary goal of protecting the university by ensuring that the athletics program operates in a manner that is consistent with the letter and spirit of NCAA, Pac-12 Conference and university rules, regulations and policies.

Athletics compliance is the responsibility of everyone associated with Oregon State University's athletics program, including coaches, student-athletes, athletics department personnel, faculty, staff, alumni, boosters and other supporters of Oregon State University. The compliance office is charged with coordinating the Athletics compliance efforts and acts as a resource for internal and external constituencies regarding NCAA and Pac-12 Conference compliance issues.

The primary functions of the compliance office are:

- To educate coaches, student-athletes, staff and supporters regarding NCAA and Pac-12 Conference rules and the compliance expectations of the university.
- To serve coaches, student-athletes, staff and supporters by providing accurate and timely interpretations of the rules and assisting them in their compliance efforts.
- To monitor the activities of the athletics department and the university in a variety of critical areas (e.g., recruiting, eligibility certification, financial aid, amateurism, benefits, playing and practice season limitations) and verify compliance with all applicable rules.
- To investigate and report violations of NCAA and Pac-12 Conference rules.

The potential for student athletes to be found to be employees for either bargaining or wage/hour is another topic that administration is following closely. The main avenue for this is legislative efforts that the conferences and NCAA are engaged in, but it is important that Oregon State stay informed on this topic. Staff and coaches are trained to not impede athletes' potential organizing efforts.

Title IX is another area that Athletics gives meaningful attention to and with a new era on the horizon in collegiate athletics, significant thought specific to Title IX has been given in scenario planning. Efforts to adhere to Title IX and mitigate risk to the university are included in *Build the Dam 2.0* (athletic department strategic plan), as well as the Athletics Facilities Master Plan, where equity in facilities was emphasized and numerous projects have been completed or are in progress.

SUMMARY

The rebuilt Pac-12 ensures our competitive future but reduces conference distribution significantly. The *House vs NCAA* settlement will allow revenue sharing with student-athletes. To stay competitive, we must share revenue meaningfully.

These changes require a new financial model for Athletics, focusing on generating additional revenue through traditional and new initiatives. We must also review resource utilization, including personnel and operations, comparing ourselves to Pac-12 members and peer institutions.

NEXT STEPS

At the May meeting, the Executive, Audit and Governance Committee will review the risk management report with staff and may identify additional follow-up actions, as needed.

**Oregon State University
Enterprise Risk Management
2025 Priorities – Collegiate Athletics**

Risk Topic Oversight Summary	
Board Oversight Committee	Executive, Audit and Governance Committee
Risk Topic	Collegiate Athletics Competitive, financial and compliance environment
University Goal	Ensure university-wide impacts of competitiveness, financial challenges and compliance obligations related to the changing collegiate sports model are evaluated and supported (including name, image and likeness, pay for play, National Collegiate Athletics Association and conference realignment).
Type(s) of Risks To be prevented	Operational, Compliance, Financial, Reputational
Risk Owner(s)	President, Vice President and Director of Athletics
Primary Risk Mitigation Strategy(ies)¹	Accept, Reduce, Share/Insure
Risk Mitigation Team	Executive Deputy Athletics Director & Chief Operating Officer of Athletics; Deputy Athletics Director & Chief Financial Officer

¹ Definitions of mitigation strategies:

Avoid: Discontinue the activities that present unacceptable risk
Share/Insure: Transfer the risk through insurance programs or 3rd party

Reduce: Implement controls, practices, programs to lessen the risk
Accept: Proceed with the activity because the benefit outweighs the risk

OBJECTIVE 1:	
Identify new revenue opportunities and strengthen current revenue streams to support the evolving challenges associated with being competitive at the highest level of college athletics.	
Actions to Satisfy Objective:	Form a committee charged with establishing a list of new revenue initiatives. The committee will review data prior to making recommendations, with instructions to include initiatives that will yield increased revenue from current streams (ex: reseat a venue in conjunction with a season ticket price increase, communicating this plan in advance, thereby allowing for an opportunity for fans to make donations, to increase their priority point total and improve their season ticket location).
	Assess list of initiatives established by the committee and establish an implementation plan based on revenue potential, feasibility and short/mid/long term time frames.
	Secure a conference-level media rights agreement that provides significant funding to the department and actively participate in conference level explorations for new revenue concepts.

OBJECTIVE 2:	
Execute operational and personnel expense reductions to align with members of the rebuilt Pac-12 and other identified peer institutions.	
Actions to Satisfy Objective:	Review the current Athletics organizational chart and evaluate for potential modifications to meet the new needs of the revised Pac-12
	Study sport program and departmentwide budgets and SOPs to identify areas for change, with an emphasis on financial and operational efficiencies at the revised Pac-12 level
	Analyze peer institutions to identify new standards and best practices to implement within OSU Athletics
	Study and determine where the use of AI could improve efficiency or result in reduced FTE

OBJECTIVE 3:	
Develop a program that enables the department to execute new revenue sharing opportunities with student-athletes, in a manner that is fiscally responsible, legally compliant, and upholds the values of the institution.	
Actions to Satisfy Objective:	Identify national best practices and evaluate their feasibility specific to OSU Athletics
	Collaborate with the Office of the General Counsel to develop policies and processes that are compliant with state and federal law and NCAA/conference/institutional guidelines
	Create responsible financial systems that meet the needs to be competitive while balancing the operational budgetary needs of the department
	Evaluate and institute compliance-related mechanisms to ensure the proper execution of revenue sharing
	Establish a comprehensive, modernized program focused on generating funds needed for revenue sharing

Performance Metrics	
Objective 1: Identify new revenue opportunities and strengthen current revenue streams to support the evolving challenges associated with being competitive at the highest level of college athletics.	
Goal	Performance metrics are being developed and will be finalized when significant industry and conference level announcements and decisions are completed. Key performance indicators such as historical revenue numbers and projections based on a number of factors, will continue to be tracked.
Objective 2: Align the Athletics personnel and operational standards with new colleagues within the revised Pac-12 conference and other identified peer institutions.	
Goal	Performance metrics are being developed and will be finalized following the addition of the NCAA required 8 th football-playing institution. Athletics tracks budget and personnel data against those of our peers and will modify that list, if needed, as we continue to track.
Objective 3: Develop a program that enables the department to execute new revenue sharing opportunities with student-athletes, in a manner that is fiscally responsible, legally compliant, and upholds the values of the institution.	
Goal	Performance metrics are being developed and will be finalized pending final settlement approval and subsequent information from the Implementation Committee. Staff is monitoring the national landscape, as well as announcements from peer institutions. Athletics will continue to track NIL data that is available under the current rules.