

Background Information/Talking Points

- The process of transitioning to National Collegiate Athletic Association (NCAA) Division I began in October 2004 and the evaluation of the move has continued to ensure it was truly in the best interest of the university.
- The athletic program has not been able to support itself financially during the transition. In fact, it has run a budget deficit in each of the five transition years since the effort was begun and that deficit is projected to continue to grow.
- Each year, the athletic program has had to rely on non-athletic funds for support. These deficits were funded by diverting resources away from pressing academic needs. To make the program budget work the salaries of assistant coaches have been and continue to be paid from State funds, a practice which must be discontinued by State law.
- During the three-year period of 2005-06 through 2008-09, total spending on behalf of athletics grew from approximately \$2.88 million to \$5.58 million, an increase of \$2.7 million or 93.75 percent. During that same time period, total revenue grew from \$2.07 million to \$3.77 million, an increase of \$1.70 million or 82.13 percent.
- At the conclusion of the most recent fiscal year the athletic program produced a budget deficit in excess of \$1.8 million, bringing the total accumulated deficit to more than \$6.0 million. These deficits do not include funding in support of athletics that has been provided by other offices throughout the university such as the Chancellor's Office or Advancement. Also not included is the annual debt service associated with the new athletic field house and practice fields.
- The financial problems that plague our athletic program are not caused by excessive spending, even though expenses have increased substantially as we have attempted to meet Division I requirements. The problem lies on the revenue side of the budget and is a function of some very real differences between the revenue streams for athletics at WSSU and those at our peer institutions.
 - The WSSU athletic program is fee-dependent. We derive approximately 80 percent of our athletic revenue from a single source – student athletic fees. The fee dependency problem is a derivative of our relatively small student body size and the low athletic fee that we charge students. While our athletic fee of \$579 is among the highest in the UNC System, it is near the bottom of the fees charged within the MEAC, which range as high as \$1,200.

- We do not own the stadium or the coliseum where our revenue sports play their games. This is a real disadvantage. As a result, we must pay the City of Winston-Salem for the use of its facilities and we only receive a small portion of the revenue that is generated from gate receipts and parking, and we derive no revenue from food concessions. Even if we owned the stadium, we do not believe we would break even given the current debt service of nearly \$500,000 a year that we would have to assume.
 - Private giving to the athletic program is not sufficient to sustain it at the costlier Division I level. The program has never raised more than \$250,000 in any fiscal year.
 - Our spending level, while beyond our means, is the lowest in the MEAC where spending ranges as high as \$12 million annually. Five schools spend in excess of \$8 million and three of the schools spend more than \$10 million
- Going forward, we have projected that revenue will continue to grow at a much lower pace than expenses. Under even the most optimistic scenarios for revenue growth, which include an additional \$1.0 million from fundraising, game guarantees and gate receipts, the program will continue to generate deficits that range between \$2.10 million and \$2.56 million during the period 2009-10 through 2011-12, and the accumulated deficit is projected to rise from approximately \$6 million to a total of \$12 to \$15 million.
- We now have reached a point in our review, analysis and discussion of the program where a final determination about its future course is not only needed, but required.
- We need to resolve the issue and get the matter behind us and Dr. Dennis Thomas, Commissioner of the MEAC, had requested a decision by the beginning of the new school year.
- Our Board of Trustees has supported the Chancellor's recommendation to inform the NCAA and the Commissioner of the MEAC that WSSU intends to remain a Division II institution for purposes of intercollegiate athletics
- If WSSU is approved to be reclassified as a Division II school, we understand that the CIAA is willing to accept us as a member in 2010-2011 based on our ability to reduce the size of our program to Division II levels. For our teams to be able to participate in a conference for the 2010-2011 season, we must start the process to reclassify and also provide the CIAA with a notification of interest as soon as possible.
- The decision to remain at Division II will certainly have an impact on our university and it will not be an easy transition. It will particularly affect our student athletes.

- We will have to reduce athletic scholarships and staffing levels from the Division I requirements to the lower levels permitted by Division II. For example, Division II maximum for football scholarships is 36 and we had approximately 57 awarded in 2008-2009 against a Division II maximum of 63.
 - Some of our athletes made their decisions to attend WSSU based on our move to Division I and some of our staff may have come under the same assumption.
 - We will be working with each student directly impacted by this change in an attempt to provide advice and financial support, as well as helping them to decide what is in their best interest.
 - We must do whatever it takes to support these student athletes to the best of our ability and they must be our number one priority.
 - Our second priority has to be completing the reclassification and moving to the CIAA in a timely manner so that our athletic program will have a home next fall.
- No matter how difficult the decision, it was one that had to be made. It is, however, the right decision for WSSU at this point in time, given our resources.
 - Now we must move forward to ensure that our athletic program has a home for the 2010-2011 season.