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Office of the President

TO MEMBERS OF THE SPECIAL COMMITTEE ON ATHLETICS:

ACTION ITEM

For Meeting of May 14, 2024

UCLA AND UC BERKELEY FINANCIAL CONTRIBUTION

EXECUTIVE SUMMARY

On June 30, 2022, UCLA announced its plan to leave the Pac-12 Conference and join the Big Ten Conference in 2024. The announcements by UCLA and the University of Southern California (USC) foreshadowed the ultimate dissolution of the Pac-12, which became a reality on August 4, 2023, at which point eight of the 12 Pac-12 member institutions had announced their plans to leave the conference in July 2024. In September 2023, UC Berkeley accepted an invitation to join the Atlantic Coast Conference (ACC) and was admitted along with Stanford University and Southern Methodist University.

In December 2022, UCLA's decision to join the Big Ten was endorsed by the Regents with conditions. One of the actions taken by the Regents at that time included a direction that the President return to the Regents at a future meeting, after Pac-12 media agreements are finalized, with a recommendation for a contribution by UCLA to the Berkeley campus in the range of $2 million to $10 million, to be used to enhance student-athlete support at that campus. Such a recommendation would be based on the best available information on projected revenues for both campuses.

While universities and colleges are still in tumultuous times with an unsettled landscape in college athletics, there is some clarity on projected media rights revenues in the near term. It is anticipated that there will be an approximately $50 million difference between UCLA's Big Ten contract and UC Berkeley's agreement with the ACC. As a result, the President is proposing that UCLA contribute $10 million a year to UC Berkeley, the top end of the range established by the Regents in December 2022.

Berkeley campus leadership is working with Cal Athletics to address its financial challenges, including a number of initiatives to increase revenues for the department. The Berkeley campus appreciates the commitment of the University of California to continue the tradition of excellence in Intercollegiate Athletics at Berkeley.

RECOMMENDATION

To assist UC Berkeley with its transition to the Atlantic Coast Conference (ACC), the President of the University recommends the following mitigation measure:

That the Regents authorize the transfer of $10 million a year from UCLA to the Berkeley campus from 2024-25 through 2029-30, the term of UCLA's existing Big Ten Conference contract. In the event that there is a significant change in revenues and/or expenses for either campus, exceeding ten percent over 2024-25 pro forma assumptions, UCLA's contribution commitment will return to the Regents for further evaluation and potential action.

BACKGROUND

On June 30, 2022, UCLA announced its plan to leave the Pac-12 Conference and join the Big Ten Conference in 2024. UCLA's planned change in conferences presented a number of considerations for student-athletes and the University more broadly. These considerations were discussed at length with the Regents during six meetings that occurred between July and December 2022.

One of the actions taken by the Regents in December 2022[1] included a direction that the President return to the Regents at a future meeting, after Pac-12 media agreements are finalized, with a recommendation for a contribution by UCLA to the Berkeley campus in the range of $2 million to $10 million, to be used to enhance student-athlete support at that campus. Such a recommendation would be based on the best available information on projected revenues for both campuses.

Based on media reports on the value of media rights in the Big Ten and ACC, Big Ten schools (including UCLA) will receive close to $60 million a year, while UC Berkeley will net only approximately $11 million a year in the first seven years of membership in the ACC. This is a materially different outcome for UC Berkeley than what was projected in December 2022 when there was still optimism about the follow-on Pac-12 media rights deal. For the next seven years, the difference between UCLA's annual media rights distribution and UC Berkeley's will be approximately $50 million per year. Given the disparity in forecasted revenues, the President has recommended a contribution of $10 million, which is at the high end of the range provided by the Regents.

Beyond UCLA's contribution, Cal Athletics will continue to work diligently to be fiscally responsible, priding itself on being able to achieve excellence on and off the playing fields while operating the Department in a cost-efficient manner. In addition, UC Berkeley is evaluating other solutions to address the financial gap. These include the development of new department revenue streams, additional philanthropic support, consolidating athletic scholarships to the campus Financial Aid and Scholarships Office, and an additional extraordinary payout from athletics-related endowed funds. The payout action will be considered by the Finance and Capital

[1] December 2022 Regents item and meeting minutes.

Strategies Committee at the May meeting in item F2, *Adoption of Expenditure Rate for the General Endowment Pool*.