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Cal's Football-Stadium Gamble

Amid a Costly Renovation, the School Is Short of Its Funding Goal; Tapping Campus Funds?

By RACHEL BACHMAN



Getty Images

California's football team hasn't played in the Rose Bowl since 1959. Pictured, Darian Hagan (#26) of the California Golden Bears enters the stadium for their game against the Oregon Ducks on Nov. 13, 2010, in Berkeley, Calif.

As state legislators shrink its appropriations, it's hard enough for the University of California-Berkeley to maintain the nation's highest academic ranking among public colleges.

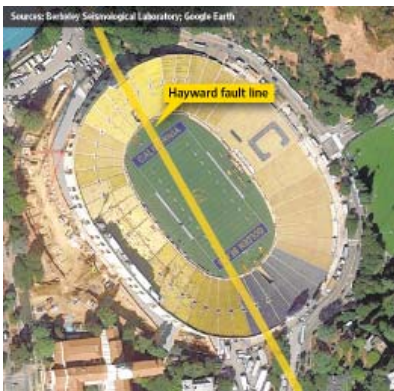
But there now looms a financial threat from another, somewhat unlikely quarter: the university's football program.

Until now, the years-old effort to renovate the school's football stadium, which sits on an earthquake fault line, never raised many alarms. Although its \$321 million price tag would make it one of the most expensive renovations in college sports history, the university said the project would be funded privately, largely through long-term seat sales and naming rights.

But three years into the fund-raising effort, a projected \$270 million from the sale of seats has failed to materialize. At the end of December, the school had collected only \$31 million in the first three years of the sale. Now it has become clear that the university will have to borrow the vast majority of the money.

In recent interviews, university officials acknowledge that if revenue projections fall short and won't cover the bond payments, the shortfall "would have to come from campus."

The idea that money for the football stadium could come from campus funds, which include student fees, is an admission likely to stir outrage at a school that's already facing possible double-digit tuition increases. "It is disconcerting that the university may be gambling with student fees and other academic funds to cover a massive financial commitment for a football stadium," said Cal computer-science professor Brian Barsky.



Memorial Stadium sits on the Hayward fault line.

John Wilton, the school's vice chancellor for administration and finance, said the stadium project is "a fairly complex project and financing model that has many moving parts" that should be judged over the long term. He said that under most projections, the school won't have to dip into campus funds for many years.

"We're not asleep at the wheel here," said Sandy Barbour, Cal's athletic director.

To outsiders, what's surprising is that this expansive project is happening at Cal, a school that hasn't had a powerhouse football program in years. Cal hasn't won its own conference outright since 1975, hasn't played in the Rose Bowl since 1959 and doesn't routinely sell out its stadium. (The school is reducing capacity in the renovation to roughly 63,000 from about 72,000.)

Unlike some athletic powerhouses, Cal's athletic department isn't self sufficient. From 2003 to 2011 it stayed solvent only by receiving a total of \$88.4 million in campus funds, according to research by Barsky. Wilton, the vice chancellor, said the figure doesn't account for donations to the university that might be inspired by the school's athletic programs.

The stadium situation comes at a time of financial anxiety on campus. After the state legislature last year slashed \$650 million from the University of California system's previously \$3-billion budget, tuition at UC schools rose 17% for in-state students and 5% for nonresident ones, prompting student protests and sit-ins on the Berkeley campus. With California already leading the nation in tuition increases, the UC system has said that annual tuition spikes could range from 8% to 16% over the next four years.



Getty Images

Cal computer science professor Brian Barsky has been a vocal critic of the university's stadium financing plan.

Also controversial is a plan to open the gates to more nonresident students—who pay higher tuition. At Berkeley, the proportion of undergraduate students who pay nonresident tuition is 16%. The school said its goal is to increase that figure to 20%.

The nearly half-billion-dollar Cal athletic project encompasses a \$321 million renovation of Memorial Stadium that opens Sept. 1 and \$153 million for a new multisport training facility. That's far more than Stanford University spent building a new stadium in 2006.

In public pitches for the project starting in 2006, university officials talked about raising hundreds of millions through an "Endowment Seating Program" that was to endow all 29 of Cal's varsity sports and more yet by selling naming rights to various components of the stadium. The official name will remain Memorial in honor of war veterans. But the economic downturn hindered sales and by November 2010, Barbour had posted online a letter to fans saying she was "heartbroken that the program's intentions will, in all likelihood, not be fully realized."

The total bonded debt for the project, including the training center, will be \$447 million. That's apparently an unprecedented amount of borrowing for a college-sports project, far above the \$220 million that Minnesota borrowed to build a new stadium in 2009, the \$200 million that Washington has borrowed for its stadium renovation and the \$148 million that Michigan took out to add luxury seats that opened in 2010.

Cal officials acknowledge that making debt payments without help from outside the athletic department will likely require success on the field. Last year, the football team went 7-6. In January, an assistant coach defected to Washington and three prized recruits changed their minds. "We recognize fully that football success is a key driver in our financial success," Barbour said.

Even some ardent fans say they're confused and concerned about how the renovation will be funded. "If you read what they say, they always say, if there's a problem and things aren't going to expectations, we'll make adjustments," said Hank Gehman, a longtime season-ticket holder and retired contractor. "I'm just wondering what those adjustments will be. Where will they get millions of dollars a year to cover the shortfall?"

University officials say they had no choice other than to launch a major renovation. Long known to stand above a geological fault, the stadium was declared unsafe in a seismic review, said Barbour, who added that about 70% of the project's construction cost comes from safety upgrades.

The new Pac-12 television-rights deal will nearly double Cal's broadcast revenue before expenses, helping the athletic department not only to make debt payments but also to wean itself from university support.

But the television deal also requires Cal to do something unprecedented: play a Friday night home game every other year. This change recently created more controversy on campus after an academic official asked instructors not to schedule midterm exams on Nov. 2, the date of the first such game.

"To ask people not to have midterms seemed like the inappropriate thing to do," said Alice Agogino, a professor of mechanical engineering who sat on the stadium committee in its early planning stages. Balancing the athletic books "shouldn't change academic priorities for the campus," she said.

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