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News

Bad Time for Sports Overspending



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Compared to many of its peer universities that play big-time sports, the financial state of the University of California at Berkeley's athletics department looks pretty good in some ways. While the Golden Bear sports program is among the 90-plus percent of all Division I programs and the 75 percent of Football Bowl Subdivision programs that do not turn an annual profit, the \$7.4 million subsidy it received from general institutional funds in 2008 is actually \$1 million less than the median for public institutions with major football programs.

But to the consternation of some faculty members at Berkeley, the university's sports program is running multimillion-dollar deficits -- on *top* of the annual institutional subsidies -- that are requiring the university to make short-term loans to the sports program. Not only that, but [Cal officials revealed](#) that the central administration in 2007 forgave \$31 million in previous loans to the athletics department to cover annual deficits.

There's probably never a good time for professors to find out that their athletics programs are draining university funds. But it's hard to imagine a worse time for such revelations at Berkeley, given that faculty and staff members are being furloughed and students are being shut out of enrolling.

That combination of factors has some members of the faculty at Berkeley up in arms, placing [a resolution](#) on the agenda of an University Senate meeting next week that calls for Chancellor Robert Birgeneau to end the annual subsidies, limit the department's spending to its actual direct revenues, require it to repay its outstanding loans, and ramp up faculty oversight of the sports program.

"Everybody thinks we [play intercollegiate sports] because it brings in big bucks, when that's clearly not the case," says Brian Barsky, a professor of computer science at Berkeley.

Birgeneau is "disturbed" about the deficits and plans to "insist that athletics do everything it can to cut them," says Dan Mogulof, Berkeley's executive director of public affairs, who attributed the shortfalls to sharp drops in football and men's basketball ticket revenue and a 20 percent cut in direct support from the university.

Cal administrators are insistent that the athletics department will repay the roughly \$12 million in loans that the university is providing to fill the 2009 and 2010 budget holes, Mogulof said, and campus leaders are exploring a wide range of potential increases in revenue (such as endowed stadium seats and renegotiated conference television contracts) and budget cuts ("including reductions in the scope of the program" -- i.e., cutting teams) to ensure that it can pay its bills in the future.

"We're taking a very aggressive and clear-eyed look at the situation," Mogulof said. "Nobody has their head in the sand about this."

Information Gap

Some professors at Berkeley are skeptical about that, due not only to the recent budget history of California's sports program, but to the fact that the situation has become fully apparent only through detective work that prompted the university to disclose much more information than it previously had.

Like many professors, Barsky paid little attention to Berkeley's sports program in his 28 years on its faculty until recently, when, he says, he insidehighered.com/layout/.../ucsports

began to grow concerned about the university's relative priorities and potential overemphasis on athletics. He began "poring over budget sheets intensely," and he was surprised at how difficult it was to find what seemed to him like basic information about the sports program's operations.

Continued digging by Barsky and his colleagues coincided, timewise, with the rapid deterioration of Berkeley's (and the State of California's) overall budget situation, and the two issues became intertwined. The ["intercollegiate athletics" page](#) of the [UC Berkeley Budget Crisis](#) Web site crafted by some Cal professors lays out the basic concern this way:

Intercollegiate athletics (IA) is supposed to be a [self-supporting auxiliary](#) program, yet it has enjoyed substantial subsidies from central campus funds and student registration fees. Plus it has also accumulated a huge debt, with no realistic plan to pay it off. Many of us support intercollegiate athletics in that it provides entertainment for the campus community and provides fund raising opportunities. But there are faculty who object to the special admissions policies and preferential treatment it gives to IA student athletes in classes and other campus services. This blog is not intended to address the pros and cons of IA, in general, rather it addresses the budgetary implications given the current budget crisis.

The fundamental premise of the faculty critique is one that could be leveled at most colleges that play Division I sports: that the athletics department, as an "auxiliary enterprise," in higher education lingo, is supposed to support itself, with the revenues it produces through ticket sales, television deals and fund raising adding up to more than its costs. The problem is that according to a National Collegiate Athletic Association study released this month, virtually none do. Only 25 Division I sports programs turned a profit in 2008 counting only their "generated revenues," the study found, and only 18 had shown a profit consistently for five years.

The vast majority of universities therefore [subsidize their sports programs](#) financially in various ways; the median Football Bowl Subdivision (formerly Division I-A) public university provides \$8.5 million a year in institutional funds (a combination of direct support, indirect support like waived utility costs and student fees), while the median private institution provides nearly \$12.5 million in such funds. "The situation at Berkeley is not unusual in that regard," said Dan Fulks, an accounting professor at Transylvania University who helps produce the NCAA study.

According to an FAQ that Berkeley's athletics department produced and [made public](#) in response to the Academic Senate's planned town hall meeting next week, the university gave the athletics department about \$2.7 million in student registration fees and about \$5 million in "chancellor support" -- general institutional funds -- in 2009. The student fee money is supposed to support about 30 staff positions and subsidize the discounts that Berkeley students receive on game tickets, the FAQ says. And the funds from the chancellor, it says, "are used solely to support women's teams and, by extension, broad-based participation by UC Berkeley female student athletes in top-level intercollegiate competition." (With its 27 teams, Berkeley has among the broadest sports programs in Division I-A.)

Faculty leaders take issue with the subsidization of the sports program, given that [University of California system policy](#) notes that they are supposed to be self-supporting. (System policy also says that "on an exceptional basis, Chancellors may subsidize, from the University Registration Fee or other non-State revenue sources, student/ASUC-operated enterprises and/or child-care centers if the operation of the enterprise requires subsidy," though whether intercollegiate athletics would qualify under that exemption is probably open for debate.) But given how widespread such subsidization is across the country, and arguments sometimes put forward that sports subsidies are appropriate to support the beneficial aspects of athletics on campuses, the faculty complaints about that are hard to get excited about -- and probably not nationally newsworthy.

The much more striking fact that the athletics department's FAQ revealed, though, is that UC-Berkeley has a history of accumulating deficits over and above the subsidies (which at most institutions *are* the funds that fill budget gaps). As seen in the table below, which is drawn from the athletics department's document, Berkeley bailed its athletics department out of deficits of between \$5.3 and \$7.9 million from 2004 to 2006. The department broke even in 2007 and 2008 (though with significantly larger contributions from the chancellor in those years), but the deficits are projected to return in 2009 and 2010:

Berkeley Sports Budget History (figures in millions)

	2004	2005	2006	2007	2008	2009 (projected_	2010 (projected)
Revenues	39.6	45.3	48.4	61.5	64.3	59.1	58.2
Expenses	45.1	53.2	53.7	61.5	64.3	64.9	64.6

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Deficit	-5.5	-7.9	-5.3	0	0	-5.8	-6.4
Campus Support (included as "revenues")	5.4	5.2	5.6	9.8	7.4	7.7	6.0
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Total Subsidy (deficit plus campus support)	10.9	13.1	10.9	9.8	7.4	13.5	12.4

Source: Intercollegiate Athletics Department FAQ

"Athletics broke even in FY 07 and FY 08, but did not in FY 09 and the deficit will remain on the books," the department's FAQ says. "Campus has temporarily covered this shortfall but Athletics will repay the loan from future revenues."

The revelation of loans to cover sports shortfalls -- which few on campus appeared to know about before last week -- could not come at a more potent time, given the intense budget pain that Berkeley (like all public colleges in California, and many elsewhere) is feeling. UC faculty and staff members have been required to take roughly a dozen to two dozen furlough days, and virtually all other campus operations have taken major hits.

Some smaller examples have proven particularly nettlesome. Citing a lack of funds, the university originally canceled a tradition at Berkeley in which the library stays open 24 hours a day during the final exam period. A family of a student ultimately stepped up and donated the needed funds to cover the cost of keeping it open, Barsky said, but the symbolism was profound.

"Apparently the chancellor couldn't find the funds to keep the library open even though the cost was a fraction of 1 percent of what he takes out of his discretionary funds to subsidize Intercollegiate Athletics," he said. "The amount was less than what the football team pays to the local luxury hotel where it stay on the eve of each home game. "What does that say about the priorities of this great institution, the best public university in the country?"

The university's assurances that the loans will be repaid has rung a little hollow on the campus because of the other newly revealed bombshell: that Birgeneau forgave the intercollegiate athletics department's "accumulated deficit" of \$31.4 million in 2007.

"The decision was based on the principle that the current chancellor and athletic director should not be held responsible for decisions and actions of their predecessors," the FAQ said. "The clearance of legacy deficits is usually based on the probability of the department being able to repay those funds given its financial model. This is consistent with campus practice regarding academic units when, for example, new deans and chairs are appointed and sizable deficits have been eliminated." (It cites an example involving a recent change in an engineering research organization on the campus.)

Given the track record of wiping out old deficits, what do administrators say to those skeptical that the athletics department will repay the university for the newly developing debt? "For the current deficits there won't just be a mandate, there will be a written commitment that the deficits will be paid back," Mogulof, the Berkeley spokesman, said in an e-mail message. "The agreement regarding time frame and details of the repayment is currently being discussed by [the athletics department] and the Chancellor and once it is finalized, the terms will be made available to faculty."

The resolution that the Academic Senate will consider next week would go much further than merely demanding repayment of the loans, past and present. It calls for ending subsidies from administrative funds and student fees, requiring the athletics department to stop spending itself into a deficit, urging "donors to prioritize academics at the Berkeley campus" (over athletics). It also recommends that the Academic Senate create a new oversight committee made up entirely of Senate members to monitor the athletics department and to make sure its other recommendations are carried out.

Campus administrators portray Barsky's resolution as radical, and some faculty leaders say they doubt that it will pass in its current form, given the reality at Berkeley -- as on many campuses -- that many professors either like the sports programs or pay little attention to them.

But Chris Kutz, a law professor who chairs the Academic Senate, said he anticipates that faculty concern about the university's overall budget situation will result in some kind of action on the sports budget.

"Earlier this year, there would have been a relatively small number of faculty concerned about this," Kutz said. "But the combination of the general budget crisis and the fact that the cost to campus [of athletics] is higher than most people would have expected" should result in significant concerns for a lot of professors at next week's meeting.

"I do expect something to happen that will involve the Senate saying, 'These costs have to come down, and there has to be a plan to eliminate the deficits,' " he said.

Anomaly or Harbinger?

The information that Barsky and others at Berkeley have dislodged about the athletics budget there shows what happens when -- against the grain -- faculty members press for appropriate oversight, said Nathan Tublitz, a biology professor at the University of Oregon and co-chair of the [Coalition on Intercollegiate Athletics](#), a network of faculty senates concerned about athletics issues.

"Athletics budgets should be transparent and aligned with the roles of the institutions, and faculty leaders should be involved in overseeing that budget," Tublitz said. "The vast majority of faculty members are focused on their work and are unaware of the vast amounts of money that the athletics departments are spending, and in many cases losing. It usually only comes to light when there's a serious fiscal problem in the athletics department, such as is the case at Berkeley."

But there's the Catch-22: the gravity of the situation at Berkeley might not have come to light if faculty members had not pushed and prodded to dig below the surface of the information that sports programs on most campuses provide. So is it possible that the deficits at Cal aren't all that exceptional?

"NCAA data show that university athletics departments are growing at two, three, four times the rate of the rest of their universities over many years, and that revenues have not been keeping up," Tublitz said. "Overlay that with the current fiscal crisis, and you have a pretty perfect storm of serious financial difficulties for athletics departments.

"We may not see it yet, but the situation at Berkeley may be a microcosm of what is happening at many Division I-A schools. And at most places, the academic side can no longer afford to foot the bill."

The University of Washington is one of the fortunate few: a big-time sports program that is consistently in the black. But that doesn't make its president, Mark A. Emmert, sanguine about the Berkeley situation: "I would be shocked if this weren't becoming a common problem."

— **Doug Lederman**