

Some Thoughts on Intercollegiate Athletics at Berkeley
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When I read about why Missy Franklin chose Berkeley over the multitude of other attractive options she had, it reminded me about the fundamental strength of our Intercollegiate Athletics program. Franklin spoke about pursuing an education at an institution that will challenge her as much as the swimmers she competes against. She also wanted to be part of a diverse, well-grounded community. Berkeley more than met all her criteria: We boast one of the best academic programs in the nation, a diverse and competitive group of student-athletes, and amazing coaches.

This led me to reflect on how narrow — and often how wrong — the public narrative is that dominates the conversation around our Intercollegiate Athletics program. Many of the stories focus on just one or two of the sports, the new facilities, or the perceived financial risks. Because the analysis often focuses on the trees instead of the forest and is done without consideration of the financial realities and compliance constraints faced by IA, the conclusions are invariably incorrect or the solutions cannot actually be implemented.

This paper suggests that if one takes an objective comprehensive view of Berkeley's IA program, a different story emerges - one that is very much aligned with our public mission. At its core, our IA program is fundamentally about excellence, access, and diversity. When viewed from a purely financial point of view, central campus support for IA is not only small but generates a positive return to the campus at the aggregate level if one factors in philanthropy.

However, given the backdrop of the significant disinvestment by the state government in the UC system and the very serious financial challenges this has created, one can fully understand why our IA program is being seriously questioned. There is little doubt that our capacity to protect what is arguably the best public higher education system in the world, and one of the drivers of California's vibrant economy, is being undermined by bad public policy choices. But, as explained in a separate paper, these very serious financial challenges go far beyond anything related to the existence of our IA program.¹

Let's start by looking at what our IA program is and what it achieves. Berkeley's IA program offers 29 sports, and supports about 800 student athletes, making it one of the most comprehensive in the country. In addition, we excel in many of the sports that do not make the front page. In 2012, we had 38 athletes at the Olympics representing 10 different sports. That year, we brought back 17 medals: 11 were gold, and eight of those were in women's sports. If we were a country, we would have ranked sixth in the world, tying with France and Germany.

The performance of the women athletes underscores my earlier point about Missy Franklin and an important, yet often overlooked, fact about Cal Athletics: Our women athletes consistently contribute as much, if not more, than our male athletes. This is further illustrated by looking at the disaggregated data behind the Director's Cup² standings — an objective third-party assessment of how IA programs across the country perform on a comparative basis. As the table below shows, our women's teams have contributed more than the men's teams in recent years. However, the inconvenient truth is that women's sports do not attract the revenue needed to fund themselves — in fact, they run at a net loss.

¹ For an overview of the financial challenges facing the UC system and Berkeley, the reader could start by reading "[Time is not on our side.](#)"

² <http://www.nacda.com/directorscup/nacda-directorscup.html>

UC Berkeley Director's Cup Standing by Sports

	2009-10 (9th Place)		2010-11 (3rd Place)		2011-12 (11th Place)		2012-13 (17th Place)	
	Men	Women	Men	Women	Men	Women	Men	Women
<u>Fall</u>								
Football	25.00				25.00			
Soccer		50.00	73.00	25.00		50.00		50.00
Cross country			12.00			38.00		
Water Polo			70.00					
Volleyball		73.00		90.00		25.00	25.00	25.00
<u>Winter</u>								
Basketball	50.00				5.00	50.00	50.00	83.00
Gymnastics	73.00		80.00		80.00		32.50	38.83
Swimming	90.00	85.00	100.00	100.00	100.00	100.00	90.00	90.00
Track & Field	56.50		26.50	14.00		60.00	19.00	
<u>Spring</u>								
Golf	51.00	42.00	54.50	64.50	82.50	47.50	82.50	21.00
Rowing		90.00		85.00		85.00		90.00
Baseball	25.00		78.00					
Softball		64.00		78.00		83.00		50.00
Tennis	50.00	64.00	64.00	64.00	64.00	73.00	64.00	73.00
Track	52.50		46.00	5.00	5.00	31.00		
Water Polo		72.50		90.00				
Total	473.00	540.50	604.00	615.50	361.50	642.50	363.00	520.83
	46.7%	53.3%	49.5%	50.5%	36.0%	64.0%	41.1%	58.9%

If we look at the academic performance of women athletes, we find a similar pattern. Between 2003 and 2006, four women's teams — lacrosse, tennis, volleyball, and water polo — all had perfect 100 percent Graduation Success Rates (GSRs). In addition, women's crew was at 96 percent, women's swimming and diving was at 95 percent, and women's soccer had a rate of 93 percent. The top men's programs were men's cross country/track & field and golf, both at 92 percent. Overall, 14 of 23 measured Cal sports had a GSR of at least 85 percent, including nine above 90 percent. It is also the case that the academic performance of some teams, most recently football, has been unacceptable. In these cases, IA has worked closely with faculty and the staff working in the Athletic Study Center to provide more resources and improved support. The data that was recently released by the NCAA has quite rightly drawn much criticism. It is also true that this data is reported with a significant lag, due to NCAA rules, and that more recent data show a significant improvement (but there are rules that restrict the release of this data). The reasons for this unacceptable performance are complex and warrant the type of in depth analysis that is ongoing. But it is clear that IA must improve its ability to recognize problems and deal with them much more effectively than it has done. A strong partnership with its academic advisors will be essential.

In terms of diversity, a few sports — primarily football and basketball — make it possible for Berkeley to benefit from a much more diverse student population than would otherwise be the case. At the aggregate level, 24 percent of our student-athletes are from underrepresented minorities, compared with 17 percent for the undergraduate population as a whole.

In sum, IA enhances the excellence and diversity of Berkeley, especially with respect to offering opportunities to women athletes.

Now let's turn to consider how this program is financed. In FY 2012-13, IA's total budget was about \$91 million, inclusive of all expenses: operating and debt service, including the new facilities - everything. Of this, IA raised about \$83.5 million itself (through ticket sales, philanthropy, media revenue, etc.), while total campus support was \$7.5 million (institutional support contributing \$6.1 million and student fees \$1.4 million). Thus, in FY 2012-13 IA generated 91.8 percent of the revenue required to cover its costs, with the university providing 8.2 percent. As shown in the table below, this is well below the 16-17 percent level of a few years ago, and the objective is to reduce this further to about \$5 million this year.

But when looking at the overall impact that IA has on campus finances, three other elements should be considered.

- First, IA pays the central campus a "tax" on its revenue-generating activities. In IA's case this is significant, about \$3 million. While this tax is imposed to cover those central campus expenses

that would not otherwise be incurred, marginal costs do not increase in step with marginal revenues. For example, the central campus does not incur additional costs when more merchandise or tickets are sold or when media revenues increase due to a new contract. If one were to credit IA for this revenue reflow back to campus, the net cost of IA to central campus falls to about \$2 million.

- Second, while there is no precise way to determine the marginal contribution our IA program makes to academic philanthropy, UREL estimated in 2010 that a significant reduction could lead to losses, in academic philanthropy, of as much as 10% (at that time \$25 million) of giving annually for a significant time. The report containing this estimate went on to say: “It is also worth noting that 25 of the top 53 lifetime donors to campus have given substantially to IA, and 22 of these donors have given much more to academics than athletics.” According to the donors themselves, their willingness to give is predicated on Berkeley’s overall program, both academic and athletic. If one acknowledges this, then it necessarily follows that our IA program generates additional net revenue to support Berkeley’s academic mission – even if one takes central campus support fully into account.³
- Third, in terms of the capital budget, it makes a lot of difference if money is borrowed to finance a building that generates additional net revenue or not. In the case of IA, the new facilities are intended to pay for themselves – that is, revenue is anticipated to exceed costs. This is not to minimize the risks and the need for constant vigilance to ensure that this occurs,⁴ but it makes no sense to look at only one side of the ledger. It is also true that any capital expense uses part of the university’s overall debt capacity but, in this case, there is also a net increase in the revenue needed to service the debt. This is not the case if the same debt is used for non-revenue generating capital expenses.

Intercollegiate Athletics Budget Overview							
I. Intercollegiate Athletics Financials							
		FY 09	FY 10	FY 11	FY 12	FY 13 (Est.)	FY 14 (Projected)
1	Gross Central Campus Support	\$ 12,076,714	\$ 12,097,971	\$ 10,505,850	\$ 9,518,112	\$ 7,567,235	\$5,000,000
2	Transfers from IA to Central Campus	\$ 1,359,100	\$ 2,334,746	\$ 2,392,476	\$ 2,468,121	\$ 2,880,565	\$3,000,000
3	Net Cost of IA to Central Campus	\$ 10,717,614	\$ 9,763,225	\$ 8,113,374	\$ 7,049,991	\$ 4,686,670	\$2,000,000
4	Gross Central Campus Support % of Total IA Budget	16.60%	17.45%	16.15%	13.40%	8.23%	5.38%
5	Gross Central Campus Support % of Total Campus Budget	0.64%	0.60%	0.49%	0.41%	0.34%	0.22%
6	Net Central Campus Support % of Total IA Budget	14.73%	14.08%	12.47%	9.92%	5.10%	2.15%
7	Net Central Campus Support % of Campus Budget	0.57%	0.49%	0.38%	0.31%	0.21%	0.09%
8	Number of students in IA 2	872	894	896	887	887	890
10	Campus Contribution per Student Athlete	\$ 12,291	\$ 10,921	\$ 9,055	\$ 7,948	\$ 5,284	\$ 2,247

But let’s ignore all of the above, as many people do, and just focus on IA’s gross level of campus support. How big is it with respect to Berkeley’s total budget, or relative to athletic programs at other universities?

In terms of the first metric, central campus support for IA now accounts for about one-quarter of one percent (0.22%) of our annual budget (see table above). In net terms, IA support accounts for one-tenth of one percent (0.09%). Thus, even if we ignore the impact on philanthropy, one can ask: is this an excessive amount given the non-financial benefits that the campus gains in terms of diversity, excellence, and the opportunities it provides to a wide range of student-athletes?

As for how we compare with other universities, it is very hard to offer a definitive answer — primarily because of how the data is collected across campuses. What is actually attributed as a “cost” to the athletic

³ Two points: The type of change that would be required to immediately reduce the campus support to zero and comply with title IX would be massive. This would also likely result in a more significant reduction in philanthropy. On the other hand, it may be the case that there are significant donors that are not active because Berkeley has a comprehensive IA program. While there is no data to support this view, it would seem sensible to conduct research to investigate the impact on philanthropy before suggesting significant change rather than finding out after the fact.

⁴ For a comprehensive assessment of the financial dynamics of the new IA facilities see the reports on IA’s [webpages](#).

program varies significantly. By contrast, Berkeley is very transparent; we publish our data showing student fee support and institutional support. In addition, IA pays for the scholarships it awards, whereas at other universities this cost is “waived” and thus does not show up as an IA expense. Bearing in mind these caveats, the NCAA data for Division 1 universities, shows that Berkeley ranked 28th in terms of how much central campus support is provided in 2013 and would be ranked 34th by 2014, given the 50 percent reduction in central campus support that has occurred since 2009. In addition, many of our private peers do not release data in a format that allows comparisons of any kind, but anecdotal evidence would suggest that their athletics programs are supported at about four to five times the level at Berkeley (\$20 million plus). Thus, the suggestion that Berkeley should follow the “ivy model” would only be possible if we were prepared to allocate a significantly higher level of central campus support to IA than we currently do.

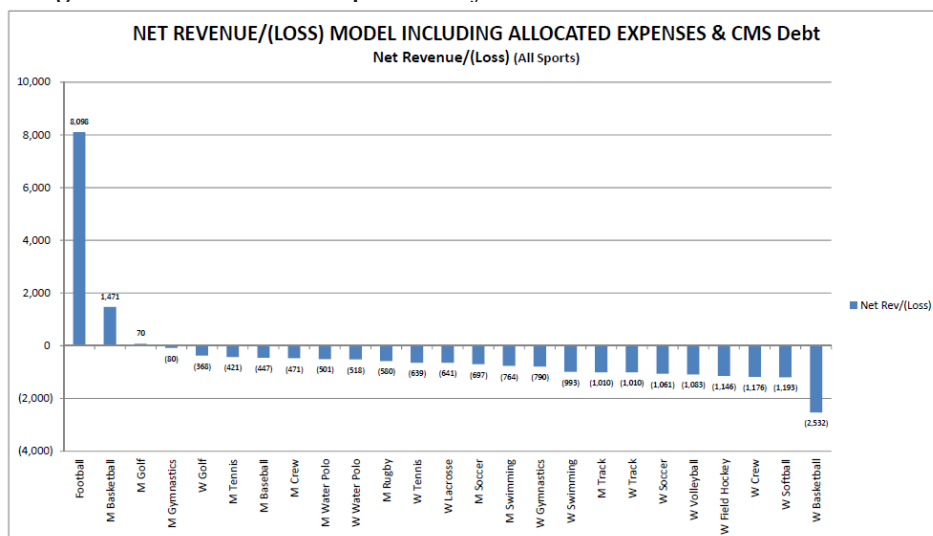
Lastly, in comparing IA programs one needs to consider the number of sports that are supported and the cost per student-athlete. The most comprehensive data we have on this comes from a study by Bain Associates in 2011 that found there are only two other universities — Stanford and Boston College — that offer a broader IA program, and that Berkeley ranked second in terms of the lowest level of spending per athlete. It would appear that Berkeley not only offers one of the most comprehensive programs in the country, it is also one of the most cost-efficient.

These last points should not come as a surprise. At the outset, I suggested that Berkeley’s IA program reflects our strong commitment to access, excellence, and diversity. In IA’s case, this means offering a wide range of sports which - given the financial realities of college sports - means significant cross-subsidization plus some level of institutional support. It is also the case, as explained below, that there are costs associated with complying with Title IX, which requires equal opportunities be offered for qualified women’s sports.

But what if we ignore all of the above and simply ask: What is the central campus supporting when it contributes to IA? Which sports benefit? What sports would be cut if we reduced support to zero?

To answer these questions, IA produced an estimate of the net revenue generated by each individual sport — that is, a sport-by-sport “profit and loss” statement, with all the costs and all revenues attributed to the sports as accurately as possible (including the full costs of the facilities used by said sports). There is always some judgment embodied in such an exercise because some expenses/revenues are difficult to allocate, but the graph below is a good approximation. Other attribution rules simply change the absolute numbers rather than the ranking, and the results are the same as one finds for other universities.

The analysis in the chart below shows that the financial picture is not complex. Football and men’s basketball are revenue-positive, a number of other sports are close to breaking even (depending on the year and attribution rules), and then there is a long tail of loss-making sports. Given that it is more difficult for women’s sports to raise revenue, it should not be surprising that 9 out of the 10 sports that contribute the largest losses are women’s sports. They create about \$11 million in total net losses.



Looked at through this financial lens the positive net revenue generated by football and men's basketball combined with central campus support generates the revenue required for Berkeley to offer a comprehensive IA program, including women's sports. This is something that we should be proud of — it is the result of Berkeley adhering to its fundamental principles of equal access, diversity, and excellence.

Furthermore, compliance with Title IX requires Berkeley to provide equal opportunity to our women athletes. Let me be clear: We are committed to complying with Title IX not because it is a legal requirement but because we deeply believe in its purpose and objectives. But just because something is right does not mean that it is self-financing. Berkeley maintains its comprehensive IA program in the same way that it maintains its comprehensive academic program, via intra-activity subsidies and central campus support.

What seems clear is that, given the current financial realities, it is impossible to reconfigure IA to retain its Division I status and Pac-12 membership while simultaneously reducing the need for campus support to zero and complying with Title IX. There is no easily defined sustainable equilibrium position that offers reduced financial support and Title IX compliance. The alternative would be a radically different and smaller program that would probably require more campus support, while at the same time reducing diversity/excellence and offering far fewer opportunities to student-athletes.

In light of these realities, we should be doing all we can to make IA as cost efficient as possible and to increase revenue growth. The more IA earns, the more opportunities it can offer to our student-athletes and the less it needs campus support. It is not in anyone's interest to undermine efforts to find new and sustainable ways to support any sport or to pay for the facilities that our student-athletes require. One illustration of this effort is the initiative to turn the California Memorial Stadium into a multi use facility — housing academic programs from many of our schools as well providing additional recreational sports facilities to all our students. Some people may argue that Berkeley does not need certain sports or an IA program at all. They are entitled to their opinion. But I would ask them to reflect on the inter-connections between sports, between the IA and academic programs, between IA and philanthropy and, more fundamentally, between IA and Berkeley's overall purpose. We are all in this together.