

University of California, Berkeley



Intercollegiate Athletics Finances in the Context of the Bigger Picture

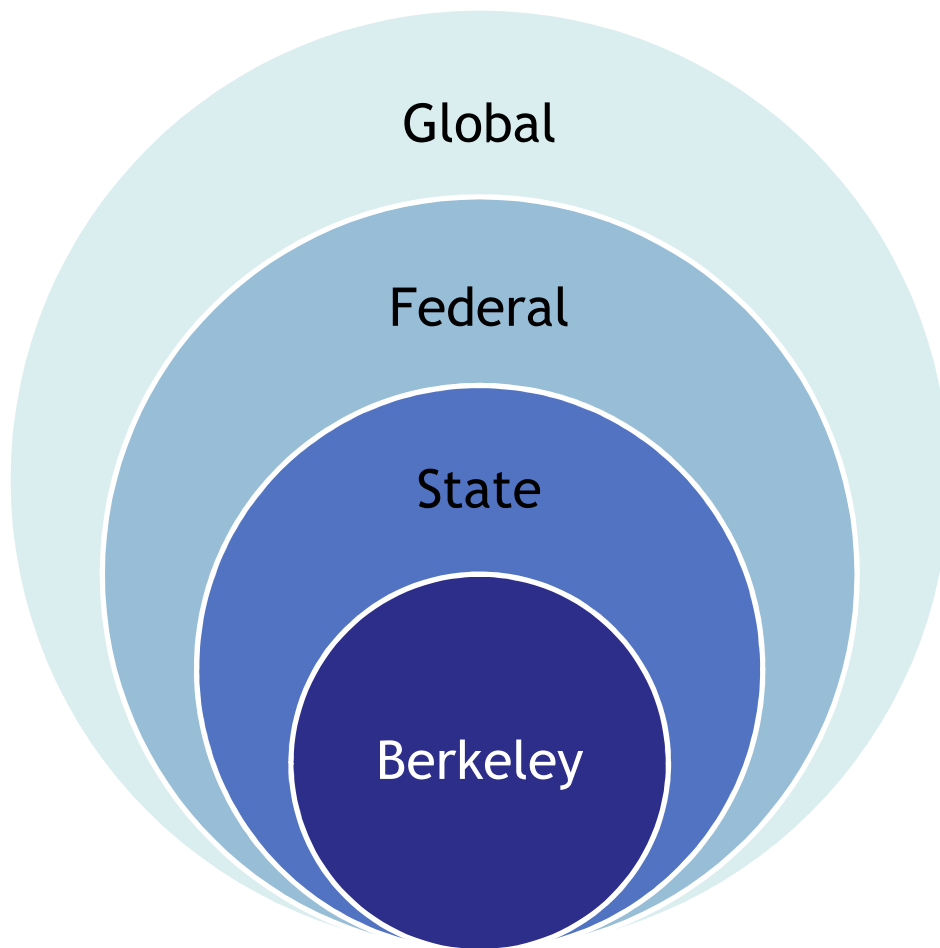
**CS 39Q: Priorities Under Pressure
November 17, 2011**

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Vice Chancellor - Administration & Finance



Berkeley continues to be impacted by what happens at the global, federal and state level...

...so their problems are our problems

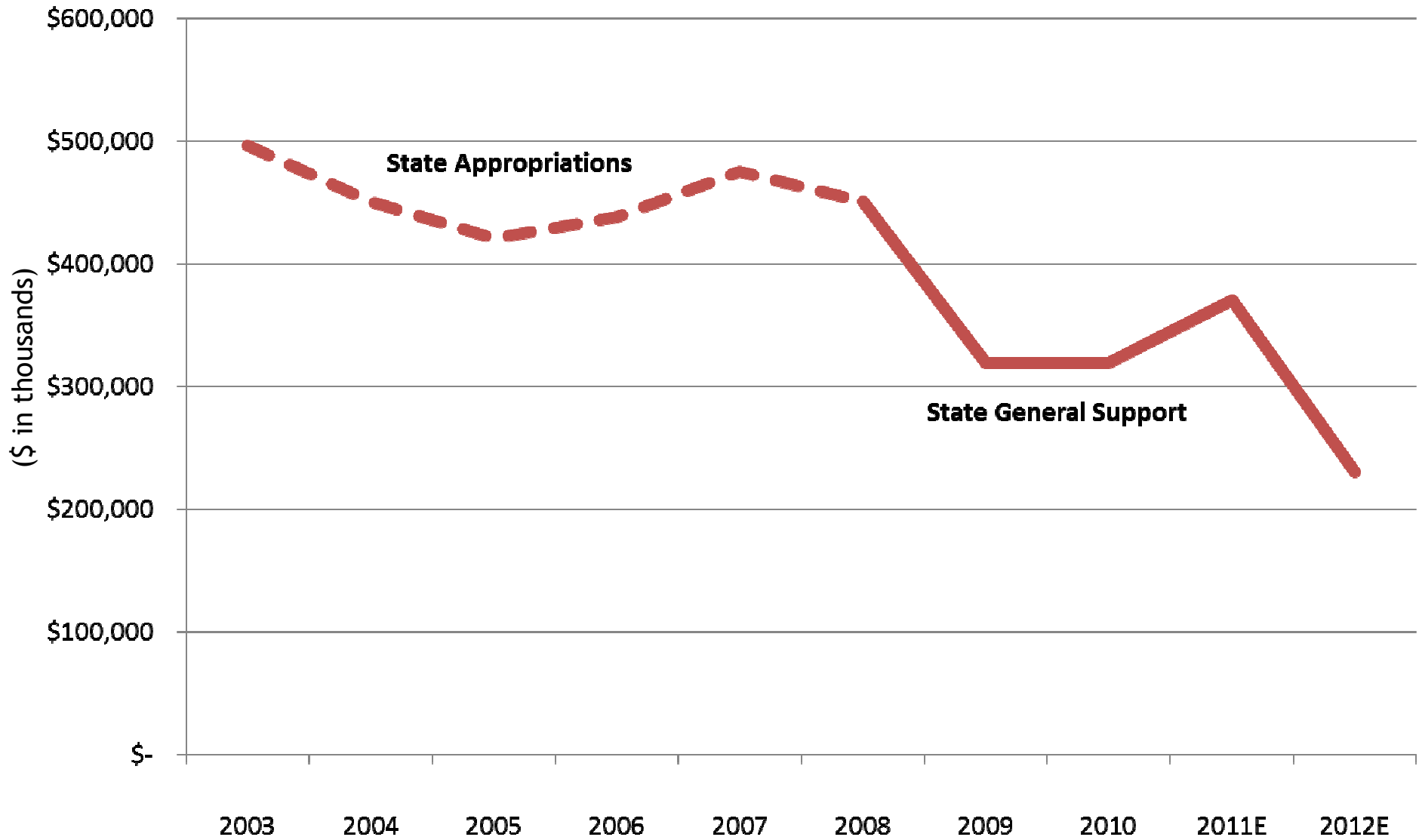


- We have been through the most serious recession since the Great Depression - which has lasting **global** economic effects
- The **US federal** fiscal deficit is large, and does not converge unless significant revenue/expenditure measures are taken....this is underway
- **California** has a large structural deficit, there is a long queue of underfunded “mandates” (K-12, infrastructure, pensions) and the current budget will impose additional cuts on the UC system, above the \$650 million already imposed, if higher revenue targets are not met

We face a new reality . . .



State of California investment in UC Berkeley continues to decline...



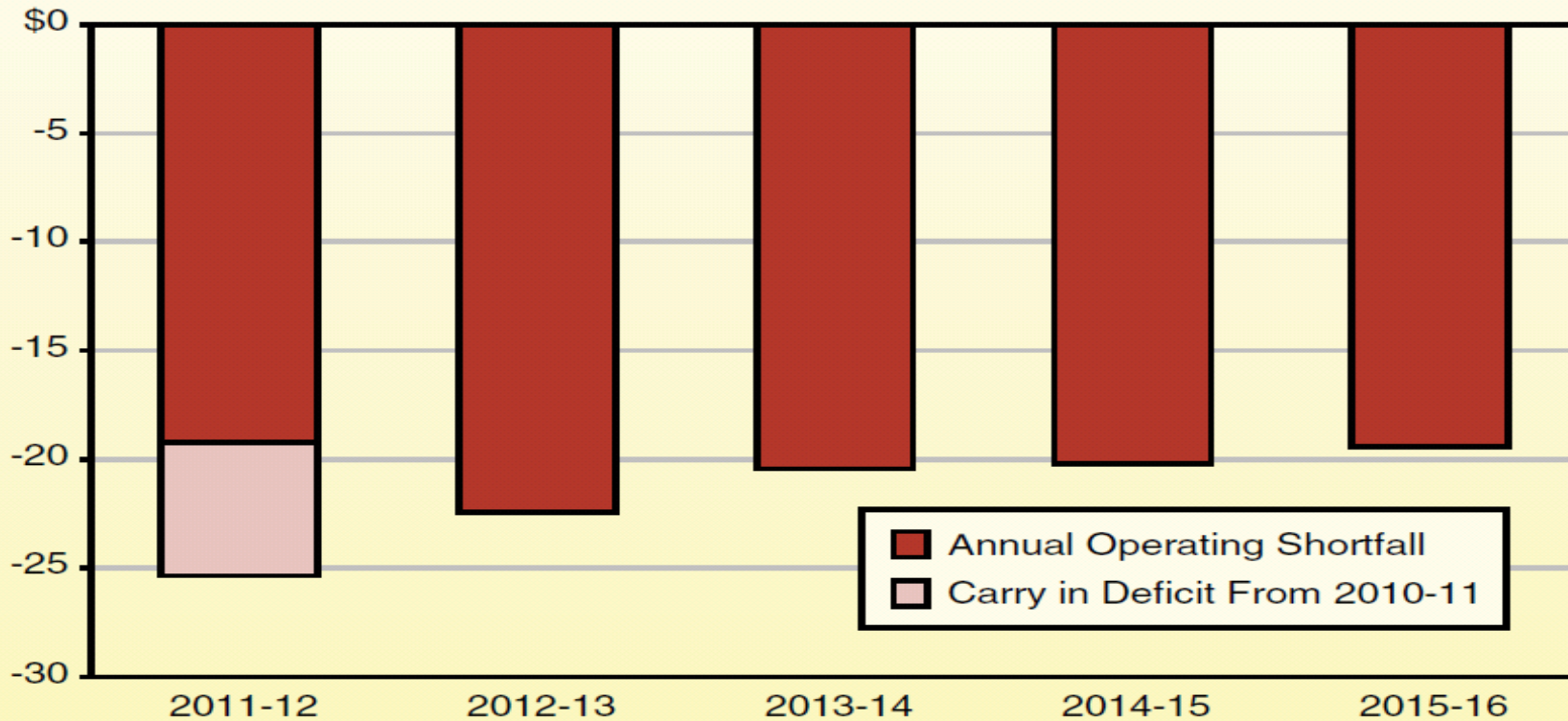


It is not expected to rebound

Figure 2

Huge Operating Shortfalls Projected Throughout Forecast Period

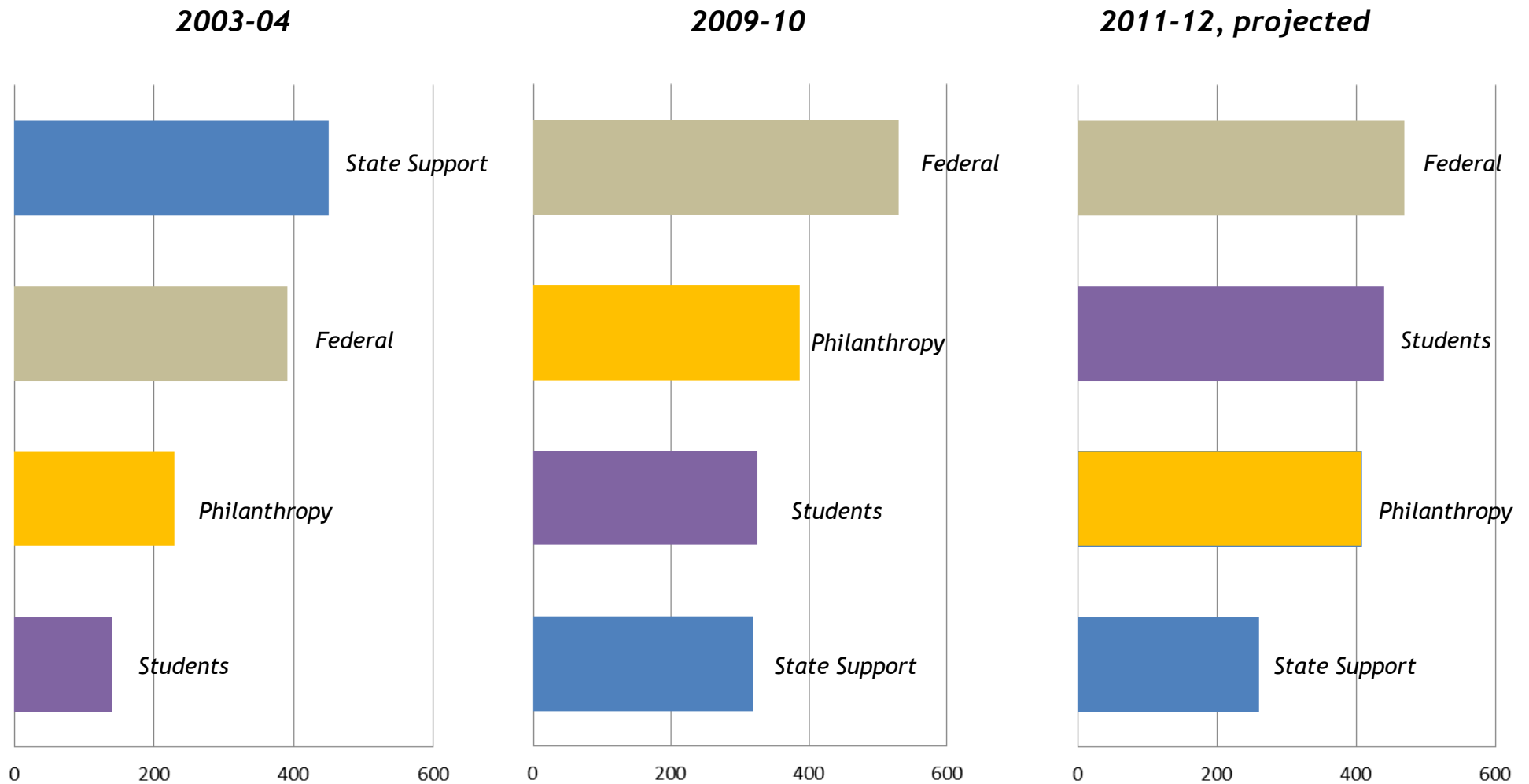
General Fund (In Billions)



Source: Legislative Analyst's Office Report on California's Fiscal Outlook



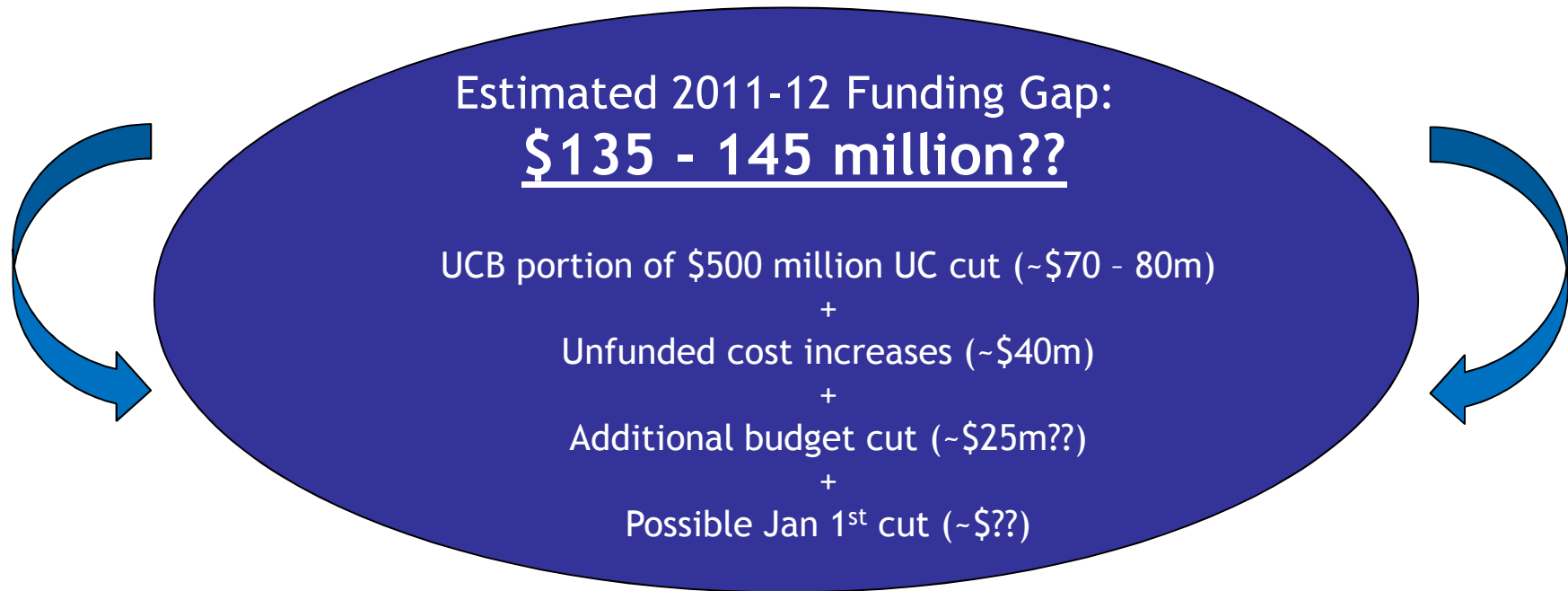
Our revenue sources have changed significantly – which has very important secondary impacts



Federal, includes federally-sponsored grants and contracts (excluding Pell grants), plus grants for Berkeley faculty at the LBNL, and Federal ARRA stimulus state substitution funds . State Support in 2004 includes funds that were initially generated on the Berkeley campus. Beginning in 2009, we have disaggregated these sources. In 2010 and 2012 State funds are those attributable to State Educational Appropriations alone. Students includes Educational Funds and Non-Resident Tuition only. Philanthropy includes all gifts and pledges for the UC Regents and the UC Foundation and investments (STIP, TRIP). (\$ in millions)



UCB has implemented strategies to preserve our short and medium term financial health...



Short-term strategies

- * Utilize reserves to bridge gap
- * Additional tuition increase of 9.6%

Medium-term strategies

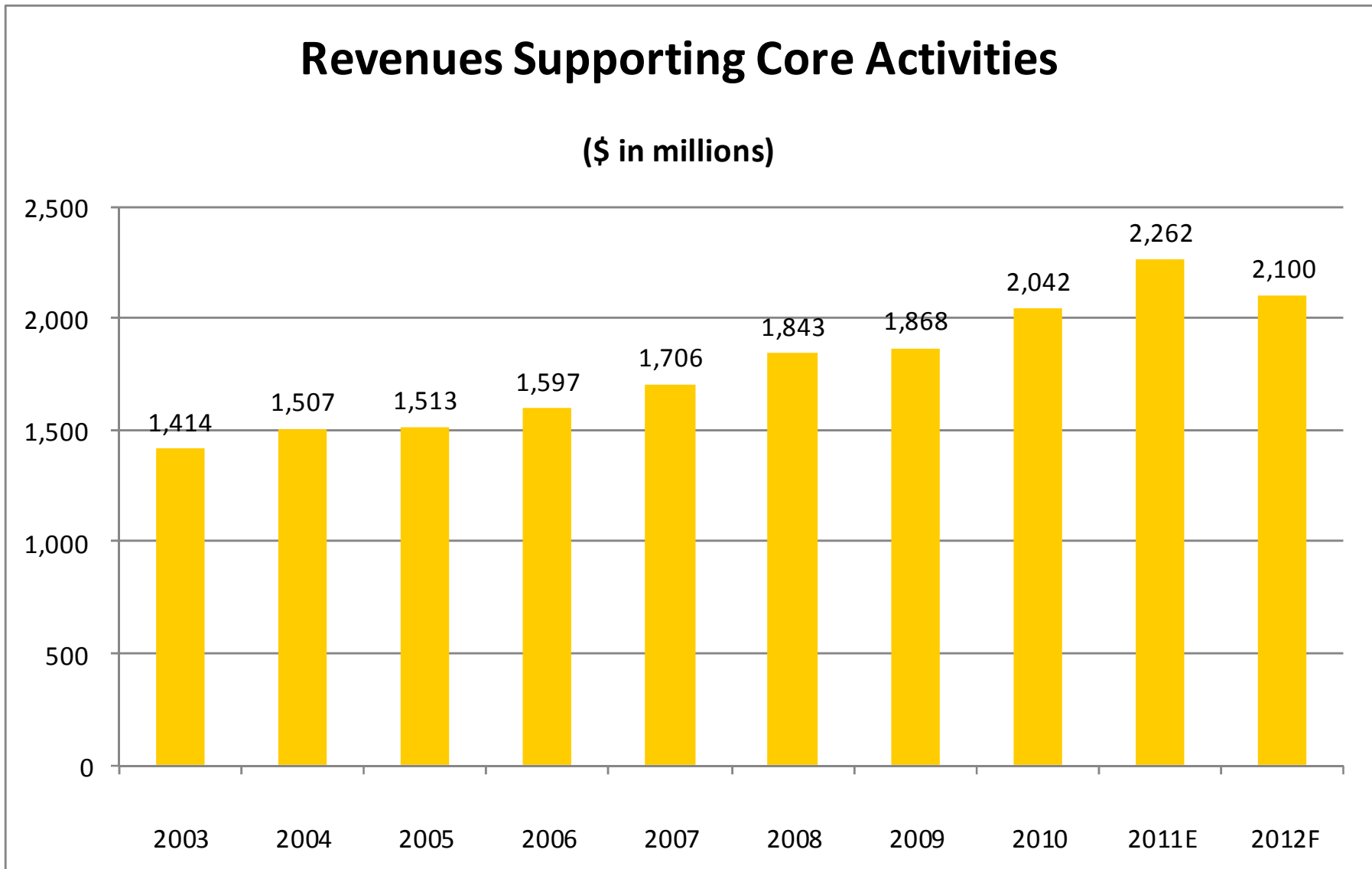
- * Revenue enhancements (ongoing moderate fee increases)
- * Increase non-resident students
- * Attract philanthropic gifts
- * Implement Operational Excellence



Despite State disinvestment we have continued to grow and excel

Revenues Supporting Core Activities

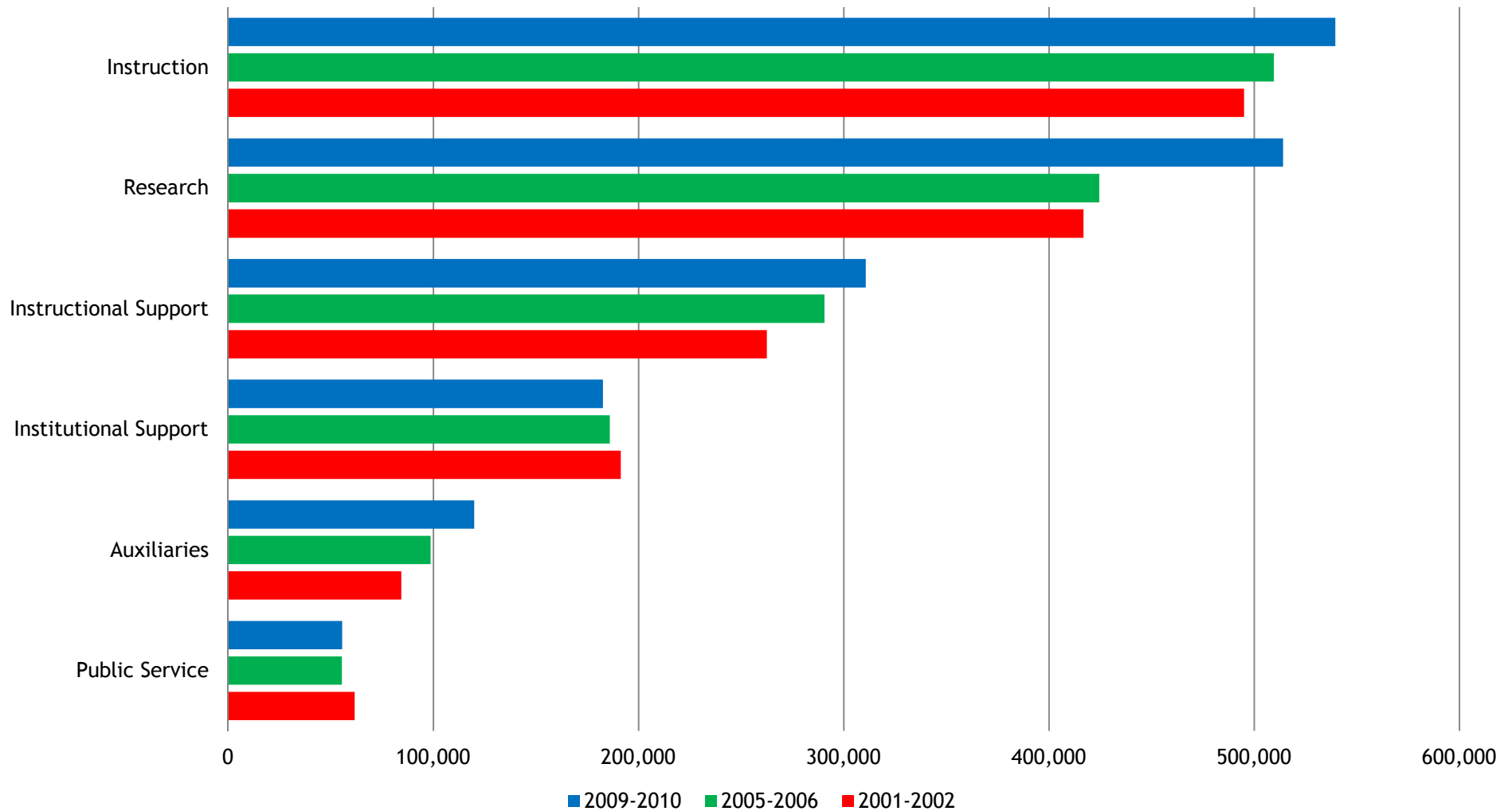
(\$ in millions)





This growth has been targeted mostly toward Instruction & Research activities

Instruction and Research Are Top Campus Expenditures (Expenditures by Type, \$000 Adj for Inflation)

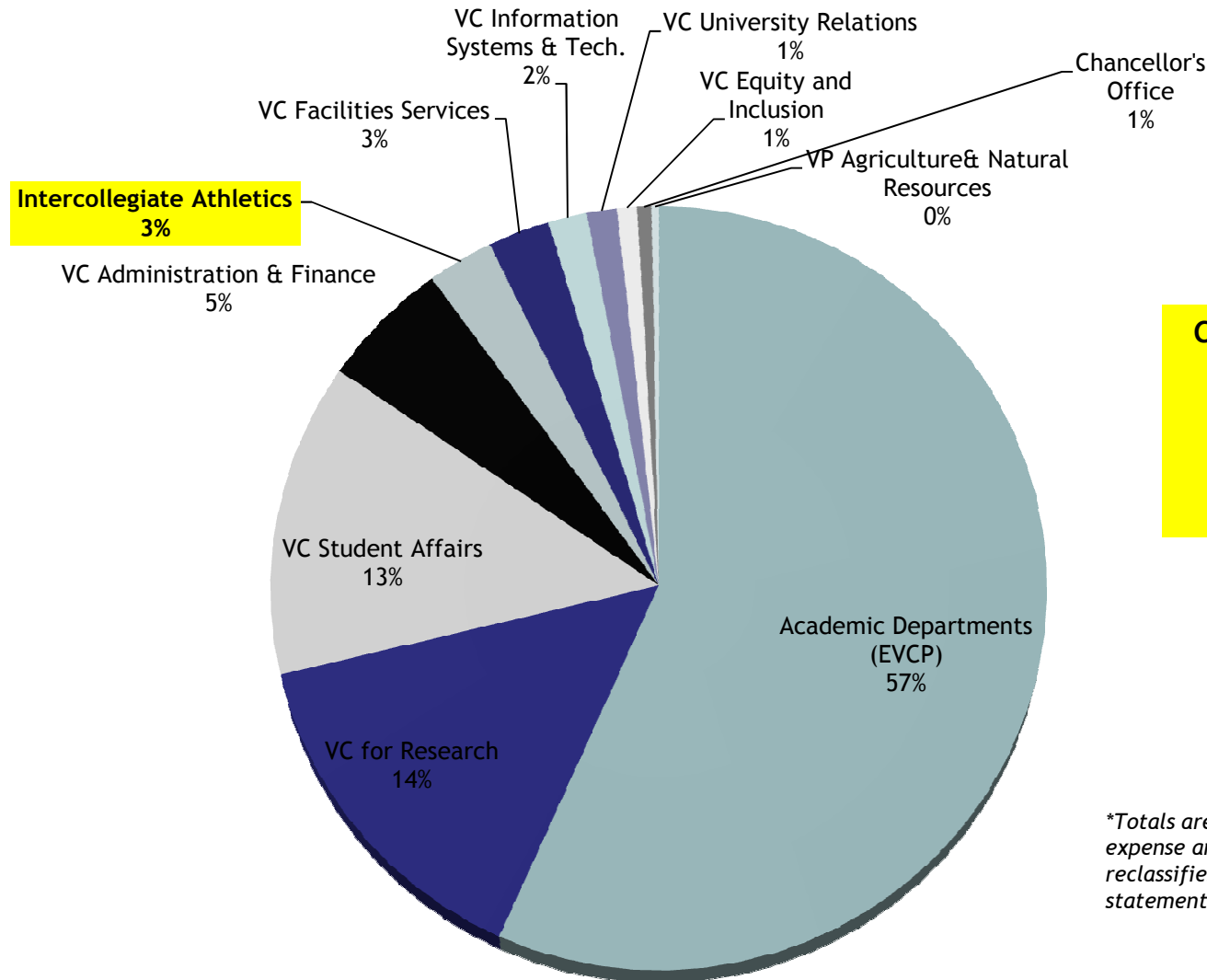


Note: Instruction includes summer sessions and university extension; instructional support includes academic support, libraries, student services and financial aid; and institutional support includes institutional support and operations & maintenance of plant. (Source - Cal Profiles)



IA accounts for less than 3% of total expenditures with the campus contribution accounting for less than 0.5% (trending to 0.25%) due to IA ability to leverage.

2011 Berkeley Expenses



Campus contribution to IA :
1/2 of 1% of total campus spend in FY 11-12
↓
1/4 of 1% by FY 13-14

**Totals are shown without central contra-expense and accrual activity which reclassifies expenses for financial statements.*



Tangible revenues and expenses

Intercollegiate Athletics Budget FY 08-09 through FY 11-12

| (\$ million) | FY 09 | FY 10 | FY 11 | FY 12 (F) |
|---------------------------------|---------------|---------------|---------------|---------------|
| Total Revenues | \$71.1 | \$69.3 | \$65.2 | \$75.5 |
| Earned Revenues | \$59.1 | \$57.2 | \$54.7 | \$66.0 |
| Institutional Support * | \$8.9 | \$10.0 | \$8.2 | \$7.1 |
| Student Fees * | \$3.2 | \$2.1 | \$2.3 | \$2.4 |
| Total Expenses | \$72.7 | \$69.3 | \$65.1 | \$75.5 |
| Operating Expenses | \$61.4 | \$55.9 | \$53.2 | \$58.5 |
| Athletic Student Aid ** | \$10.0 | \$11.1 | \$8.9 | \$9.6 |
| Administrative Full Costing *** | \$1.4 | \$2.3 | \$2.4 | \$3.0 |
| Non-Operating Expenses | \$0 | \$0 | \$.6 | \$4.3 |

* Sum of Institutional Support and Student Fees will reduce to \$5M by FY 14.

** ~14% of the Intercollegiate Athletics Operating Budget goes to finance the education of student-athletes.

*** ~\$3.0M returned annually to the central campus to reimburse for administrative costs incurred in support of external revenue-generating activities.



Targeted glide path of campus support for IA - consistent with 2010 Academic Senate Taskforce Report recommendations

Changing Revenue Sources

- **Campus contribution:** Institutional Support and Student Fees combined will decrease from \$10.5M in FY11 to \$5M in FY14.
 - \$10.5m FY11
 - \$ 9.5m FY12
 - \$ 7.5m FY13
 - \$ 5.0m FY14



What about the intangible benefits?

“We have reviewed the scholarly literature on possible connections between athletic success and donations to the academic enterprise of colleges and universities. The conclusions in general are mixed and of marginal relevance to IA and fund-raising here at UC Berkeley.” - Report of the Academic Senate Taskforce on Intercollegiate Athletics, August 30th, 2010

“Our conclusion is that the empirical literature is sufficiently mixed and of limited relevance to UC Berkeley that, in reaching conclusions on these matters, we should place far more weight on our own campus experiences, and the judgment of our development professionals.” - Report of the Academic Senate Taskforce on Intercollegiate Athletics, August 30th, 2010

“A robust IA program is compatible with the values of an elite American research university. It adds a valuable dimension to students' academic and social experiences, and that its part of Berkeley's specific traditions and histories is worth preserving.” - Report of the Chancellor's Committee on Intercollegiate Athletics, July 6th, 2010



Most recent campus based research concludes that IA appears to enhance campuswide revenue generation

Report of the Chancellor's Committee on Intercollegiate Athletics:

- “ IA directly assists academic fundraising by -
- creating a loyal cadre of alumni who give generously to academic and athletics;
 - keeping alumni connected to the life and spirit of the university, and thus helping to build a pool of future donors;
 - reflecting a way in which the institution as a whole can meet a range of the interests of donors, to the benefit of all.”

“A significantly degraded IA program could lead to losses, in academic philanthropy, of as much as 10% (\$25M) of individual giving annually for a significant time.”



Supporting the long-term financial viability of Intercollegiate Athletics is a critical priority

Financial Priorities for Intercollegiate Athletics

- 1 Develop comprehensive, dynamic financial model for IA
- 2 Implement sport by sport financial models
- 3 Ensure financial viability of CMS and SAHPC





Discussion

