



October 26, 2009

Dear Members of the UC Berkeley Academic Senate,

Like all of you, I came to UC Berkeley because I believe deeply in the campus's commitment to excellence in its every endeavor. I was drawn by the intellectual, social and ethnic diversity of our community. I wanted to work at a university where the phrase "student athlete" is not an oxymoron and Intercollegiate Athletics is an integral and fully integrated part of campus life. As Athletic Director I know I speak for every single member of the Cal Athletics community when I state my unwavering commitment to these values that we share.

Like all of you, we are struggling to meet the challenges of an extraordinarily difficult financial situation. Our campus funding has been cut by 20%, operations have been curtailed, our people are participating in the furlough and dramatic changes in the scope of our program are under careful consideration. This is not a complaint. We are all in this together and the pain must be shared.

The current financial climate is generating legitimate questions and concerns about Cal Athletics' finances, academic performance and impact on philanthropy. Attached to this letter is a first-of-its-kind FAQ that attempts to address issues many of you have recently raised. We accept full responsibility for what has been, heretofore, a less than adequate communications effort. I can only ask that you see this document as the manifestation of our renewed commitment to transparency and constructive engagement informed by factual information.

Members of the faculty play a vital role in our program. Our academic endeavors are supported by Faculty Fellows who work with the Athletic Study Center. Your representatives serve on the University Athletics Board that provides important oversight and helps ensure we operate in a manner consistent with the educational values and goals of the Berkeley Campus. You fill the essential position of Faculty Athletics Representative who, according to the NCAA's principles, helps ensure "that the academic institution establishes and maintains the appropriate balance between academics and intercollegiate athletics." As I noted above, I believe Cal Athletics is and must remain an integral and fully integrated part of campus life. That would be an empty promise absent constructive engagement and partnership with you, the members of the UC Berkeley faculty.

I am looking forward to the dialogue at the Academic Senate's November 5th town hall meeting that will focus on Intercollegiate Athletics. The FAQ offers ample evidence regarding the tangible and intangible benefits of a robust Athletics program; our careful stewardship of precious resources; the continuing improvement in academic performance; and the steps we are taking towards our long-term, aspirational goal of financial self-sufficiency. All of these are areas where we welcome fact-based debate and discussion.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Barbour", with a long horizontal flourish extending to the right.

Sandy Barbour
Director of Athletics

**FAQ
Intercollegiate Athletics
UC Berkeley
10/26/09**

What is IA's budget for the current fiscal year (09/10)?

We are currently projecting a \$64.6m operating budget for this fiscal year against a total \$56.9m in revenue, gifts, campus funding and student registration fees. Here is how some key numbers compare to recent years:

						Projected	Projected
<u>Summary</u>	2004	2005	2006 (1)	2007	2008	2009	2010
Revenues (2)	39.6	45.3	48.4	61.5	64.3	59.1	58.2
Expenses (3)	45.1	53.2	53.7	61.5	64.3	64.9	64.6
Deficit (4)	-5.5	-7.9	-5.3	0	0	-5.8	-6.4
<u>Campus Support</u>							
Registration Fees	2.0	1.9	2.0	2.1	2.2	2.7	2.0
Chancellor Support	3.4	3.3	3.6	7.7	5.2	5.0	4.0
Total Campus Support	5.4	5.2	5.6	9.8	7.4	7.7	6.0
<u>Miscellaneous</u>							
Financial Aid Costs	6.1	8.0	8.4	8.4	9.0	10.1	10.8
Contributions	12.2	10.9	12.2	14.7	13.9	18.4	15.1

(1) The numbers for FY 06 are consistent with NCAA-audited financials for that year. However a Memorandum of Understanding between the Chancellor and IA that set the terms of a 5-year financial plan acknowledges that IA met financial performance expectations for FY 06. Those expectations were based on an agreed level of institutional support substantially higher than indicated in the NCAA document. As a result there was no operational deficit in FY 06.

(2) Includes contributions, registration fees and institutional support

(3) Includes financial aid costs

(4) Since 2007 deficits are the sole responsibility of IA and will be repaid in the future from external sources of revenue.

At first glance this year's budget appears not to be much lower than last year's \$64.9 million budget, but when you dig a little deeper Athletics had to accept a \$700,000 increase in financial aid expenses due to rising student fees in the UC system and a \$1.2 million increase in administrative full-costing assessments owed to the campus. When these items are taken out of the equation we are looking at a \$2.2 million reduction in operating expenses.

Athletics self-generates about 89 percent of its budget through ticket sales, corporate sponsorships, television rights fees, fundraising and endowment income. Campus funding (including registration fees) accounts for the remaining 11 percent (\$7.68 million in FY08-09) and that figure will be reduced by over 20 percent, to \$6M for FY 09-10.

What is IA doing in response to the current financial crisis?

We, like every other unit and college on this campus, are acting strategically to protect our highest priorities and the excellence of our programs in the face of the cuts we share with all other campus units.

In response to the 20% cut in institutional support (Chancellor's funds and student registration fees) we are cutting operating costs in every area, from travel to salaries. All told there will be a 6% reduction in operating budgets for our various teams and programs. (The football operating budget was reduced by 12 %.) Eight open positions have not been and will not be filled this year, and another four positions were eliminated entirely. Additionally, non-union IA staff without contracts is subject to same compensation reduction and furlough policies as other campus employees.

We are also imposing a substantial reduction in allowable overtime for non-exempt employees; restructuring of functional units and elimination of positions; reducing the size of allowable travel parties; eliminating international team travel; restricting allowable rates for hotels; and eliminating print media guides and many telephone land lines.

More substantial cuts were not possible for the current fiscal year in light of existing contracts for approximately 40 coaches and senior administrators; existing financial aid commitments to student athletes and a moral obligation to provide competitive opportunities to students who would not have had an opportunity to transfer to other institutions. However, as we begin to plan for next fiscal year all options are on the table. None of the options now under review were feasible for the current year given the state legislature's delay in finalizing a budget. (See below for more detail on the possibility of reducing program scope in the future.)

At the same time we continue to pursue programs and initiatives that have helped to support Athletics' revenues in recent years.

Are coaches under contract participating in the furlough program? If so, to what extent and how much is being saved?

As outlined in the Regents' furlough plan, employees with guaranteed contracts are exempt from mandatory participation. Within Athletics there are 42 people in this category, primarily coaches and a few senior administrators. But these people are coming forward and voluntarily taking reductions in their base pay, which is the only part of their compensation used to calculate retirement benefits. Our three most highly compensated coaches--- Tedford, Montgomery and Boyle--- were among the first to volunteer for a 10% (or greater) reduction in their base pay.

In total, as of October 21, 2009, 29 of the 42 individuals with guaranteed contracts have volunteered to participate in the furlough program, one has declined and answers are still pending from the remaining 12 people. Of those who volunteered, 24 agreed to cuts identical to those assigned to staff and faculty with similar compensation, three agreed to even higher

levels and five agreed to lower levels. The total savings from those who have volunteered to date is \$264K.

(Note: Among the 42 individuals with guaranteed contracts base pay ranges from 12% to 100% of total compensation.)

Future contracts for IA administrators and coaches will include a clause requiring participation in campus or system-mandated furlough plans. The department is also working with other UC schools to help develop a consistent policy throughout the system.

Savings from affected employees who are paid from permanent budget allocations will be returned to the campus. For others, the savings will be realized by the Athletic Department. Note: Student registration fees are provided to IA as part of our permanent budget, and we support approximately 30 positions with these funds. Because this portion of the budget is provided to us by campus, campus retains the furlough savings from anyone who is paid out of this budget. This is consistent with practice and policy across campus. The reason campus doesn't get savings from furloughs applied to other positions is because they are supported by IA's general fund which draws on external revenues.

What portion of coaches' and/or senior administrators' compensation is supported by public funds?

No public funds are used to support any portion of coaches' and/or senior administrators' compensation. These expenses are fully funded by external sources including licensing and sponsorship revenue; ticket and broadcast rights income; and donors. Monies from the Chancellor are used solely to support operating expenses and financial aid for women's sports. Student registration fees support roughly 30 staff positions, including some in sports medicine and IT. Funds allocated from student registration fees are not used for coaches' or senior administrators' compensation.

How much money is being saved as a result of the voluntary participation in the furlough program...and who do those savings accrue to? (Athletics, campus, etc???)

Approximately \$263,000 will be saved through voluntary pay reductions. Savings from affected employees who are paid from permanent budget allocations will be returned to the campus. For others, the savings will be realized by IA. Note: Student registration fees are provided to IA as part of our permanent budget, and we support approximately 30 positions with these funds. Because this portion of the budget is provided to us by campus, campus retains the furlough savings from anyone who is paid out of this budget. This is consistent with practice and policy across campus. The reason campus doesn't get savings from furloughs applied to other positions is because they are supported by IA's general fund which draws on external revenues.

Given that non-contract employees are taking furlough, coaches and administrators are voluntarily participating, positions have been eliminated, others aren't being filled, and the 5% reduction in teams' operating budgets....why is IA's projected budget for 09/10 still only 0.5% less than last year's projected budget?

Many of the guaranteed multi-year contracts have built in escalations which increase total compensation packages. IA has also had to absorb significant increases in campus charges, including the increased cost of scholarships for student-athletes, a 50 percent rise in police and security rates for home events and an increased cost in subsidized bus service for fans during football games that has gone from a \$0 amount charged by AC Transit just a few years ago to more than \$100,000 this season. In addition, certain costs related to student-athlete welfare such as medical care, equipment, insurance, travel and basic operations, have remained steady or increased.

Why haven't teams already been eliminated?

While all options are on the table for FY10-11, eliminating an intercollegiate team is an intense process that can have significant repercussions. Evaluating sports programs is a very complicated process, with legal implications and significant impacts on our students, alumni, donors, and staff. In the short term, signed contracts and schedules are already in place for the coming seasons and scholarships have been awarded to student-athletes. Morally, it would not be fair to discontinue a team on short notice and not allow affected student-athletes, many of whom are Olympic caliber, the opportunity to transfer to another school and continue their training and competition. Because the university budget cuts were made late in the summer, there was not reasonable time to make such decisions prior to the 2009-10 academic year. In the long term, however, all options are on the table. We are undertaking a thorough program review to analyze all of these impacts before making any final decisions on the future shape of the department.

Why is IA's budget cut so much less than the cuts assigned to ORU's and other academic budgets and what does that say about priorities?

On a percentage basis, Athletics is taking as large a cut, if not larger than other units, especially academic ones. On their central campus funding – student registration fees and the support from the Chancellor – Athletics is taking a cut of 20% and greater. In addition, the Administrative Full Costing rate will nearly double next year – going from 4% to 7% -- and financial aid for the student-athletes will rise by 7%. Together these two items will add an additional \$2M to IA operating expenses. So, IA, unlike some campus units, is dealing with substantial increases in costs beyond its control and, at the same, very substantial reductions in support from the campus.

How much institutional support (Chancellor's funds and registration fees) does IA receive?

One of IA's most significant expenses is financial aid (scholarships) for student athletes. These costs are directly correlated to rising in- and out-of-state tuition and are beyond our control. In the current fiscal year we are projecting costs in this category of nearly \$11m, a figure that may very well rise depending on future Regental decisions. When discussing the level and nature of institutional support for IA we believe it is legitimate and necessary to consider these monies that flow from IA back to the University.

For the current fiscal year IA will receive about \$6 million in total institutional support; \$4 million from the Chancellor's funds and just over \$2 million from student registration fees. That represents more than a 20% reduction in institutional support from the previous year (\$7.68 million) and is far less than the \$11 million Athletics received from the campus in 2004. In short, we are moving in the right direction while sharing the financial pain that is being felt in every corner of the campus.

It is also important to understand that the \$6 million in institutional support is a gross number. Almost half of that figure---\$2.5 million--- comes right back to the campus through administrative costing. And \$2 million goes to non-resident tuition for out-of-state student athletes....an item other Division I schools in the PAC-10, such as Oregon and Arizona, waive for their Athletics departments.

According to IA policy and practice, funds from the Chancellor 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. On a broader level this funding enables the campus to provide, on an equal basis for men and women, access to intercollegiate competition at the highest level for all the sports that do not produce revenue – that is, everything but football and men's basketball. The Chancellor's funds provided to Athletics are drawn from the campus's share of revenue generated by services support fees that are, in turn, part of self-supporting professional degree program income at the Haas School of Business and Berkeley Law. As a result no taxpayer dollars or public funds are used to support or subsidize IA. (Note: These funds are NOT drawn from the regular Haas and Boalt professional degree programs. We are referring to revenues from specialty programs like the Masters in Financial Engineering that are fully-self-supporting, unlike the regular MBA and JD programs which are partially supported by taxpayers.)

The allocation of student registration fees to intercollegiate athletics is standard practice at many other universities across the country such as Vanderbilt, Northwestern, the University of Oregon, the University of Virginia, and UCLA where, in FY 2009, the university's IA received \$2.5m from student registration fees.

At Cal, funds from registration fees are used to support approximately 30 staff positions, none of which are coaches or senior administrators. These funds also enable IA to deeply discount football and basketball tickets for UC Berkeley students. For football alone we estimate that the market value of the 6600 seats allocated to students is close to \$2.5M, but students are

charged an aggregated total of just over \$500,000. Beyond the lost revenue are a number of opportunity costs, including the loss of annual donations we would expect to receive in return for seats in a premium location.

In FY 2008-09 the campus had \$23.6m available in permanently budgeted registration fees. Of these roughly \$2.1m (or 8.9% of the total) were allocated to Intercollegiate Athletics. The other large recipients of registration fees were University Health Services (\$6.8m or 29%), employee benefits (\$4.6m or 19%), Career Center (\$2.0m or 8.5%), Campus Life and Leadership (\$1.1m or 4.9%), Art Museum & PFA (\$1.0m or 4.3%), Childcare Services (\$0.9m or 3.7%). The remaining registration fees were spread among a wide variety of departments ranging from Recreational Sports to Cal Performances to Disabled Students Program.

The allocation of student registration fees is determined by the Chancellor within the policy guidelines set by the Office of the President. "Income generated by the University Registration Fee may be used to support services which benefit the student and which are complementary to, but not a part of, the instructional program. These programs include, but are not limited to, operating and capital expenses for services related to the physical and psychological health and well-being of students; social and cultural activities and programs; services related to campus life and campus community; and educational and career support. These programs create a supportive learning environment and provide general student enrichment." (UCOP Policy website)

The Committee on Student Fees and Budget Review (CSF) is a Chancellor's Advisory Committee, reporting to the Chancellor and his designated representative. It is autonomous and totally independent from both the UC Berkeley administration and the student government. Founded in 1972 to provide student representation on fee and budget matters at the University, the committee is completely student-run. It provides informed student input and recommendations regarding the expenditure of student fees, and the programmatic and management issues facing student service units that affect Berkeley students, administration, and staff. It represents and serves the student population by documenting its needs and wants, analyzing these findings, and communicating them to the UC Berkeley administration, student service units, and the UC system-wide administration. It also educates students about the use of their fees, the budgetary process, and about the scope, purpose, and actions of CSF.

CSF reviews the budgets from the various registration fee control units and evaluates the budgets on quality of service and adherence to the needs of students. Each year CSF composes a report designed to give the Vice Chancellor's a cohesive recommendation reflecting the student opinion. Each academic year, CSF evaluates two campus divisions. Past evaluations include the Office of Undergraduate Admissions (UGA), KALX, Residential/Family Living (RFL), Recreational Sports Facility (RSF), University Health Services (UHS), and the Student Life Advising Services (SLAS).

CSF also provides oversight on all referenda advisory committees on campus. This is to ensure that the fees are properly allocated in accordance to each fee's policy. CSF's participation in these committees is to provide past information on each fee to the current

advisory board. Sample committees include Health Fee Advisory Board, Class Pass Committee, Student Referenda Committee, as well as The Green Initiative Fund.

What was campus support prior to 2004?

2000	2001	2002	2003	2004	2005	
0.9	3.8	2.5	2.5	2	1.9	Reg Fees
0	1.2	3.2	4.3	3	3.2	Chancellor
0.9	5	5.7	6.8	5	5.1	Total

(Note: Numbers are based on our records, but are not available from NCAA Audited reports. Numbers do not include any annual deficits during the years in question.)

How do you justify institutional support?

As the Chancellor has said repeatedly, UC Berkeley is absolutely committed to comprehensive excellence. This means that everything we do, we do at the highest level. To the extent possible, we provide the resources that are necessary for individual units to excel. This includes Intercollegiate Athletics. Of course, all units are required to use their resources optimally and to generate whatever resources they can on their own. The case for investment of some central resources in IA is compelling on many different fronts; the challenging issue is what the level of central support should be. First of all, because of Title IX we are legally required to provide our women students the same opportunities as their male counterparts. Of course, given Berkeley’s commitment to gender equity we would do this even if it were not legally required. However, no woman’s sport generates sufficient revenues on its own to cover its costs. The net cost of our 14 women’s IA sports is slightly over \$8M. Unless the revenue-generating men’s sports produce an excess of funds then we must provide at least this amount annually. It is our goal, nevertheless, to cover as much of this \$8M as possible from the revenue-generating sports and donors.

The benefits of a vital, successful IA program are multifold. As the Chancellor has noted, a significant fraction of our donations in our academic programs comes from individuals who have a strong connection with our campus through Athletics. Second, it is clear that IA plays a critical role in the high student satisfaction among our undergraduates. Indeed, the Chancellor has noted that the student body make-up and student experience at Berkeley and the University of Toronto (where he previously was president) are quite similar but the student esprit is much higher here at Berkeley; the bonding and university pride that is created at IA events accounts for much of this difference.

Now more than ever, we have a responsibility to do everything possible to reduce our costs, increase our revenue and continue towards our long-term aspirational goal of a fully self-supporting program. Successful football and basketball programs are part of the equation....as is the innovative Endowment Seating Program that is putting us on the path to an endowment

that will bring long-term financial stability to Cal Athletics. We are also working on a long-range ten year plan that will focus on enhancing revenue, containing costs and building the endowment. We believe that with all of those elements in place we can and will have a program that requires minimal---if any---support from the campus.

The line item “institutional support” began in 2004. Was there no institutional support prior to that year or was it reported differently?

The NCAA Audit Report changed in 2004 to list a specific line for institutional support. Prior to that year, the report had only two categories: 1) student registration fees; and 2) miscellaneous.

What is included in the “Other” revenue category on the audited financial statements we provide to the NCAA?

These miscellaneous items are primarily composed of Memorial Stadium renovation fee revenue, along with event revenue from pre-game and halftime receptions, rental income, auction income, and talent fees for radio shows, etc. The “Other” category does not include any campus funds or student registration fees.

Is Athletics supposed (required) to be self supporting?

According to UC’s system-wide policy, Intercollegiate Athletics, as an auxiliary, is meant to be a self-supporting activity. However, the policy also provides Chancellors with the ability to subsidize auxiliaries from the University Registration Fee or other non-State revenue sources. The California state budget also defines intercollegiate athletics as a self-supporting auxiliary enterprise that is not “subsidized by the state”. The Chancellor’s funds provided to Athletics are drawn from the campus’s share of revenue generated by services support fees that are, in turn, part of self-supporting professional degree program income at the Haas School of Business and Berkeley Law. As a result no taxpayer dollars or public funds are used to support or subsidize IA. (Note: These funds are NOT drawn from the regular Haas and Boalt professional degree programs. We are referring to revenues from specialty programs like the Masters in Financial Engineering that are fully-self-supporting, unlike the regular MBA and JD programs which are partially supported by taxpayers.)

A study by the NCAA released in October 2009 which examines athletic department revenues and expenses shows that only 25 of more than 300 programs at the Division I level generated a surplus. The study also shows that the average amount of institutional support (campus funds + student registration fees) for Football Bowl Subdivision schools (the highest division in the NCAA) amounted to 24 percent of IA expenses. At Cal, for FY 2009, institutional support amounted to 11.9% percent of IA’s total operating budget. This metric suggests we are far more self sufficient than the overwhelming majority of FBS institutions. It should also be noted that there is a wide range in the scope and nature of institutional support across universities, ranging from providing free parking to Athletics during events, tuition waivers, how debt service is covered, allocation of student registration fees, charges for facility maintenance, gift fees, and differences in full administrative costing or overhead assessments. Because of such

differences, comparison of programs is extremely difficult and, further calls into question whether “self-supporting” programs are truly self-supporting.

Over the past several years, Athletics has been working with the campus on a long-range plan to reduce the amount of the support. The Endowment Seating Program (ESP), an innovative approach to financing the renovation and retrofit of Memorial Stadium, is also intended to secure the financial future of the department by creating a long-term, sustaining endowment that will be used to fund and stabilize our annual operating needs.

What are the cumulative loses of Athletics that have been covered by the campus after it was cleared for FY 06?

Technically, IA’s accumulated deficit of \$31.4m was cleared in FY07, meaning that Athletics is not expected to repay any deficits prior to FY 07. 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 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. Most recently this occurred following a change of leadership at Engineering Research Support Organization (ERSO).

Starting in 2007 all IA deficits will be the sole responsibility of the department. (Note: This is after accounting for central campus funding). Athletics broke even in FY 07 and FY08, but did not in FY09 and the deficit will remain on the books. Campus has temporarily covered this shortfall but Athletics will repay the loan from future revenues.

Will Athletic deficits have to be repaid from Athletic resources?

Yes, the department and campus are in the process of determining how to pay back the FY 09 loan.

If Athletics can carry a large deficit with the campus, why can’t academic departments?

Since Athletics has significant external sources of revenue, the department has the ability to repay loans. This may not be the case with academic departments.

Is \$7 million the ceiling for general campus support of Athletics? What is the current commitment of support? What is the justification for the support?

The level of support in FY 09 was decreased by more than 20% to just over \$6M. Athletics is working with the Vice Chancellor, Administration to establish a 10 year plan designed to advance us towards our aspirational goal of self-sufficiency. The level of institutional support will be tied to the costs of maintaining a broad-based program and will be, to a large part, dependent on the costs of financial aid.

What are the principles and criteria that inform and guide our decision to pay substantial compensation to some of our coaches?

Even though they receive no public funds as part of their annual compensation, our decisions to recruit and retain coaches like Jeff Tedford and Mike Montgomery have not and will never be taken lightly. It is important to understand that our starting point was a simple question: "What does it take to have an intercollegiate athletics program at UC Berkeley that reflects and supports the university's defining characteristic: a commitment to broad and deep comprehensive excellence in everything we do?" That's much different than simply asking, "What does it take to win football or basketball games, and/or simply support those specific programs?"

It is apparent that for a public university that does not currently have an endowment comparable our private peers, there cannot be a robust IA program that offers opportunity for success to the broadest possible range of student athletes--- absent successful football and basketball programs. Across the board excellence is what sets UC Berkeley apart from the crowd academically...and we have the same commitment on the Athletics side of the house.

But, success on the field is not enough for us. We are committed to doing athletics right in the context of the country's leading public research university, and that means we will only consider coaches who share our belief that academic success is just as important as athletic success for their teams. Those kinds of men and women are very rare and come at an admittedly high price.

As an example, here are some of the metrics we use to evaluate Coach Tedford's performance and the impact of our decision to recruit and retain him:

- We have a football program where student athletes are fully engaged in academic life. Of the 108 seniors who have played for Tedford, 89 (or 83%) have received their degrees, a graduation rate that is commensurate with our overall undergraduate population. In addition, 17 players have studied for their master's degrees while still playing for Cal. 74 players have earned Pac-10 All-Academic honors since 2002 – second highest in the Pac-10.
- The football team's current multi-year Academic Progress Rate is 967 – second highest in the Pac-10.
- 2008: Direct revenue from football operations = \$27.9; Direct cost of football operations: \$15.4M
- We have gone from 16,000 season ticket holders in 2002 to just under 40,000 for the season underway;
- Broadcast and bowl game revenue allocated to the football program has increased from \$4.5M in 2004 to \$6.9M in 2008
- Football ticket sales grew from \$3.55M to \$11.38M between 04 and 08
- Donors to our annual fund increased by almost 60%....and overall contributions to Cal Athletics went from \$9.2 million in 2004 to nearly \$14 million in 2008.
- Sponsorship revenue has gone from \$2.55M in 2004 to \$6.37M in 2008.

- Campus support for Athletics has dropped almost in half from more than \$11 million in 2003 to a projected \$6 million for the current fiscal year.
- Six straight bowl game appearances.

We're not saying we are willing to pay any price. As always we will continue to carefully analyze costs and benefits in the context of this university's values, traditions and priorities. While there's no doubt that we could find coaches willing to accept lower levels of compensation, the financial, academic and athletic metrics all indicate that this is money well spent.

Absent Tedford and Montgomery's success we would be left with two untenable options: radically reduce or eliminate our overall intercollegiate program or seek a greater degree of institutional support.

We are often asked why private funds are used to support coaches' compensation when there are so many urgent needs on the academic side of the house. First, the question assumes that Athletics donors are either unaware or unwilling to support all aspects of the University...and that's simply not the case, it is not an either/or proposition for a large number of the University's donors. A recent, independent study (Stinson and Howard, 2009) of a select group of American universities found that each year up to 15% of donors who previously gave only to Athletics become Academic donors as well. Here at Berkeley we see evidence of that sort of cross-pollination: of the 137 donors who have pledged at least \$10,000 to our new Student Athlete High Performance Center, 123 combined to give more than \$108 million to non-Athletic endeavors on campus. The data from IA's 1999 "Haas Pavilion Campaign" is even more compelling: the 2,117 donors to this campaign have subsequently donated more than \$55M to non-Athletic endeavors on campus. Of them 787 donors (37.2%) had never given to the academic side but have subsequently donated more than \$8m to non-Athletic endeavors. There were another 874 donors to the Haas Campaign who had not given to IA previously, and subsequently donated more than \$23M to the campus.

It's a legitimate question to ask why a head coach should earn so much more than a Nobel-prize winning professor. Whether we like it or not, we cannot ignore market forces when so much hinges on the success of our revenue-producing programs. To the same extent, market forces are not, and cannot be ignored when it comes to determining compensation levels for faculty. But, that doesn't mean we enter these markets with a "what ever it takes" attitude. In a manner consistent with everything everyone does at this University, we carefully analyze cost and benefit, seek the highest possible value for our money and hold those we recruit to extraordinarily high standards in terms of their team's athletic and academic performance.

Why have an elite Athletics program at an elite research university?

First, we fully support and endorse the two fundamental principles that informed a 2007 report by the Coalition on Intercollegiate Athletics (COIA), an alliance of 55 Division IA faculty senates whose mission is to provide a national faculty voice on intercollegiate sports issues. They state that:

- **Intercollegiate athletics must be in alignment with the educational mission of the institution.** The fundamental mission of a university is academic in nature. Higher education institutions provide educational opportunities, promote personal growth, and generate and disseminate knowledge. College athletics must adhere to and support the institution's academic mission in all its activities, including providing students with opportunities to succeed academically.
- **College sports must adhere to the collegiate athletics model.** When consistent with educational goals, the benefits of intercollegiate athletics are tangible: they develop life skills and character in student-athletes, create a focus for the campus community, and maintain relationships between universities and its alumni and public.

We hope and believe that these principles can continue to serve as a basis for continued engagement and constructive dialogue with members of the Academic Senate.

We believe that a robust intercollegiate athletics program that operates in a manner consistent with the university's academic mission is an indivisible part of UC Berkeley's DNA, and a defining characteristic of the best universities in the nation. It is worth noting that Harvard and Stanford's intercollegiate athletics programs are significantly larger than our own, with 41 and 35 teams respectively.

Beyond the life-transforming experiences we provide for approximately 850 student athletes every year, we also believe that Athletics is a vital gateway for philanthropy. While some have raised doubts about the impact of a robust intercollegiate athletics program on undergraduate education and philanthropy at elite research universities, we believe that the facts suggest there is little cause for concern. For example, according to the latest report from the Council for Aid to Education (CAE), between 2003 and 2008 Harvard and Stanford raised the most money in charitable contributions among all American universities and colleges. Both institutions have far larger intercollegiate athletics programs than our own. During that same period of time Cal Athletics enjoyed unprecedented success in terms of the overall excellence of our program. For the first time ever we finished in the top ten of the National Association of Collegiate Directors of Athletics annual rankings...not just once, but for five of those six years. Between 2003-2008 annual charitable contributions to UC Berkeley as a whole rose by 49.6%.

A recent, independent study (Stinson and Howard, 2009) of American universities found that each year up to 15% of donors who previously gave only to Athletics become Academic donors as well. Here at Berkeley we see evidence of that sort of cross-pollination: of the 137 donors who have pledged at least \$10,000 to our new Student Athlete High Performance Center, 123 combined to give more than \$108 million to the academic side of the house. The

data from IA's 1999 "Haas Pavilion Campaign" is even more compelling: the 2,117 donors have subsequently donated more than \$55M to non-Athletic endeavors on campus. Of them 787 donors (37.2%) had never given to the academic side but have subsequently donated more than \$8m to non-Athletic endeavors. to the Haas Campaign who had not given to the campus previously, they subsequently donated \$8,128,712.21 to the campus within 6 years. There were another 874 donors to the Haas Campaign who had not given to IA previously, and subsequently donated more than \$23M to the campus.

While there are many academic studies that cast doubt on the correlation between **success** in intercollegiate competition and academic philanthropy, there is little if any research on how the very existence of a broad, high-quality IA program impacts hard-to-quantify benefits in terms of the campus community, sustaining binding ties to alumni, and institutional reputation. There is, however, research suggesting that "athletic success assists students in socializing/ integrating into college life, thus promoting academic success" and that football success, in particular "is positively related to freshman retention rates" and graduation rates (Mixon and Trevino 2004).

If we can continue to do athletics right in this context, in a manner consistent with UC Berkeley's values, we will continue to bring enormous value, joy and the benefits---both tangible and intangible-- of an energized community to the campus.

That means, now more than ever, that we have a responsibility to do everything possible to reduce our costs, increase our revenue and continue on the path to a fully self-supporting program. Successful football and basketball programs are part of the equation, as is the innovative Endowment Seating Program (ESP) that is putting us on the path to an endowment that will bring financial stability to Cal Athletics. We believe that with all of those elements in place we can and will have a program that requires minimal---if any---support from the campus.

We accept the responsibility of leadership that is a part of being at Berkeley. We want to show that there is a way to do athletics right at this sort of institution and that means success in the classroom, success on the field, and a sustainable financial model. In each of these areas we're breaking new ground: our Athletic Study Center was cited by the Los Angeles Times as a model to be emulated everywhere; our new High Performance Initiative is bringing state-of-the-art science to the playing field; and ESP is the first of its kind program in a collegiate setting. We're not just talking. We're taking concrete steps to back up our values, goals and principles.

Athletics also complements the university experience by teaching student-athletes teamwork, accountability and leadership. We attract student-athletes with diverse backgrounds who become part of a team to achieve a common goal. We provide opportunities for these student-athletes by encouraging them to pursue higher education. Moreover, Athletics in general and individual teams in particular, creates lasting, powerful ties with alumni. Surrounding every team is a community of thousands of past and current members who have a deep, emotional connection to the team and the University. The nature of that relationship goes well beyond the field as it spans their time at the University and many aspects of their lives; it tends to be far

stronger and longer lasting than, for example, the usual relationship between (non student-athlete) undergraduates and their major department.

What is the effect of Title IX on the IAs budget?

Even if Title IX did not exist, UC Berkeley would have an unshakeable commitment to gender equity. And, much like the campus commitment to excellence across the broadest possible range of academic programs, we have a commitment to broad-based excellence and participation within Intercollegiate Athletics. This commitment is demonstrated through sponsorship of 27 intercollegiate varsity sports programs – 14 women’s teams and 13 men’s teams – providing participation opportunities for approximately 850 student-athletes. Federal Title IX law includes very stringent requirements in regards to meeting the intent and obligations of the law and requires equitable financial support in many areas of Intercollegiate Athletics, including but not limited to coaches salaries, financial aid and operations. This commitment is costly because, like nearly all of the men’s programs, most women’s sports do not generate enough revenue to cover the costs of funding a program. In the absence of Title IX obligations, it would be possible—although inconceivable--- to sponsor only those sports that generate profits or are fiscally sound, namely men’s basketball, football and men’s golf. Overall, it is the successful basketball and football teams that generate the revenue to support a robust IA program. Their success is our success.

Is the Faculty Athletics Representative (FAR) supported through Student fees?

The position of FAR is mandated by the NCAA. The person filling this position is always a member of the faculty, reports directly to the Chancellor and functions as an important watchdog "... to ensure that the academic institution establishes and maintains the appropriate balance between academics and intercollegiate athletics." The FAR is supported in part through Student Registration Fees, fund 20000, and in part through an endowment held at the Berkeley Foundation (W5198).

Does the Faculty Athletics Representative receive compensation in addition to his academic salary?

There is a senior administrative analyst within the Faculty Athletic Representative’s office who earns approximately \$58,000 per year. The current FAR, Professor Jesse Choper, is also compensated by IA, in the form of a partial buyout of his teaching (3 credits).

Why is the FAR a separate reporting unit from Athletics?

The Faculty Athletics Representative is a member of the faculty or an administrator who holds faculty rank and shall not hold an administrative or coaching position in the Athletic Department. The FAR serves as a liaison between the Athletic Department and the institution and as an official representative of the institution in NCAA affairs. This position is required by the NCAA. Because the FAR is responsible for ensuring that both the institution and the

student-athletes maintain an appropriate balance between athletics and academics, it would be a conflict of interest for the FAR to report to Athletics.

Why in the audited financial statements are donations not shown in the year received?

In order to ensure consistency with other member institutions, the NCAA requires that donations be shown as “contributions” in the NCAA-audited statements. The NCAA instructs the Athletic Department to include amounts received directly from individuals, corporations, associations, foundations, clubs or other organizations that are designated, restricted or unrestricted by the donor for the operation of the athletics program, including all amounts paid in excess of a ticket's value. Contributions include cash, marketable securities and the market value of in-kind contributions. The NCAA instructs Athletics not to report pledges until funds are allocated.

Why do some gifts remain unspent and the funding carried forward to future years, even if Athletics incurs a deficit in a given year?

All gifts or other solicited donations may be restricted to say which school or department may use the money. They may also be given with very specific instructions on how this money is spent within the department. For example, if money was given to support the renovation of a named facility, the money from that gift could not be applied in a year that the renovation did not occur. Or a long-term commitment, such as for a salary fund, could not be made early before salary payments are due.

Are donations used for operations as well as capital expenditures?

Yes.

What is Miscellaneous Revenue on financials?

On the audited NCAA financial statements, miscellaneous revenue is primarily composed of facility fee revenue, along with event revenue from pregame and halftime receptions, rental income, auction income, and talent fees for radio shows, etc.

Is there any correlation between the amount of donations and the amount of coach compensation shown on audited financials?

These numbers may appear related because Athletic Department fundraisers are sometimes directed to solicit gifts to fund a portion of some of the Department's coaches' salaries. Nonetheless, there is no set correlation between the two numbers (e.g., it would be incorrect to claim that if total salaries increase by x%, fundraising increases by y %).

Are all coach salaries funded from a specific source, such as gifts?

No.

How are Athletic donations solicited? Are donors interested in contributing to academics pressured to donate to Athletics? Is there a relationship between Athletics and academic donations? Does a gift from a specific donor to Athletics replace a gift to the University had the IA not existed?

At Cal, Athletics gifts are solicited in a collaborative effort through central development and in coordination with the academic units. As part of the University's current \$3 billion "Campaign for Berkeley", Cal Athletics is responsible for raising \$500 million, an allocation based on historical patterns and a careful assessment of donors' interest and capacity. Donors who are interested exclusively in academic units are not pressured to give to athletics; however, donors who have multiple interests on campus are encouraged to support each of their areas of interest. The campaign operates according to a donor-centric philosophy, a statistically-supported best practice in the philanthropic world. Donor-centered fundraising begins with the donor's values and then seeks to connect those values to University programs, initiatives or endeavors. Athletics and academic giving are not mutually exclusive – principal gift and major gift level donors have ample resources to support multiple campus programs simultaneously. In these cases, members of the Development staff from each of the units strategically coordinate gift solicitations and communication plans. Cal history (Haas Pavilion Campaign) and national studies have shown that Athletics fundraising efforts can help bring new donors to the table and incorporate them into the campus community. In fact, a recent article by Howard and Stinson (2009) finds that, each year, up to 15% of donors who previously gave only to Athletics begin to make donations to the academic mission of the university as well. Previously unconnected alumni and fans often begin their involvement in the University by supporting Athletics and, over time, gain interest and exposure to other areas of campus and increase their total support to the institution. Athletics is a portal through which many alumni and fans begin their support to the institution and the academic units, in turn, benefit from this initial connection. Many of the top donors to Athletics are among the most supportive contributors to the campus overall. In fact, each of the top 10 Athletics donors ranks among the top 100 donors to the campus, including seven of the top 10.

The following quotes are representative of what we are hearing from prominent donors who support a wide range of endeavors at UC Berkeley:

"When we made a couple of gifts related to the renovation of the stadium, we did so because we believe in the coach, we think he has a wonderful program, and believe the entire university is the beneficiary of what is being accomplished.

"There are people who'll give because of the football team only. Everybody has to make his or her own judgment. Our support is varied at Berkeley. Athletics is just one of many. Anything we support we feel is important for the students and Cal." – **Richard Goldman**, president of the Board of Directors of the Richard and Rhoda Goldman Fund and president of the Goldman Environmental Foundation

“A high-quality intercollegiate athletics program is every bit as important to the distinction of the world’s greatest public university as a great business school, a great library, great instructors and providing opportunities for all components of society. “Going beyond what it does for the student-athletes, which is a broadening, maturing, life experience, it serves as a common meeting point for the entire campus community, and a source of pride of affiliation. It’s probably the best way for campus leaders to meet informally with people who are strong supporters of the university and build the kinds of relationships that result in furthering that support.” – **Bob Haas**, former CEO of Levi Strauss and 2009 California Alumni Association Alumnus of the Year

Are scholarships provided to students who do not satisfy Cal’s admission requirements?

Cal provides 280 athletic scholarship slots per year. The overwhelming majority of student-athletes meet UC standards, with only about 15 students admitted per year who are considered “at risk.” Over the years, the faculty members who have comprised the Admissions Committee have determined that there are some very talented athletes who can succeed with support at Cal despite not fulfilling all UC admission standards. These athletes make up about half of admissions by exception on campus. The Admissions Committee looks closely at each applicant, their life experiences and backgrounds, and makes an analysis on their ability to succeed academically at Cal. Over the first three years since the current admissions standards went into effect (2000-01), the 5-year graduation rate of all student-athletes is 83 percent.

What is the graduation rate for Cal’s football players? For the IA as a whole? Does Cal’s Football team have the 2nd lowest graduation rate in the Pac 10?

The Academic Progress Rate (APR), which is compiled by the NCAA and released each spring, provides the best “real-time” snapshot of academic success of student-athletes, looking at the eligibility, retention and graduation of student-athletes competing on each team.

On a scale of 1-1,000, the football program had a four-year APR average of 970 this past year, which was second-highest in the Pac-10 and in the 80-90th percentile nationally.

Of the 18 freshman who entered Cal in football coach Jeff Tedford’s first recruiting class in the fall of 2002, 15 (83%) received their degrees within five years, which is similar to the campus as a whole.

The fact is that UC Berkeley is on the rise both on the gridiron and in the classroom. Credit is due to Head Coach Jeff Tedford and his incorporation of the "Academic Game Plan" (which institutionalizes a meeting between student athletes, coaches and academic advisors to discuss each student's academic requirements, expectations, academic and degree progress), as well as the work of the Athletic Study Center, an academic support program for student athletes seen as a model for the nation. This was actually noted in an LA Times Magazine Cover article dated September 5, 2004 entitled, "If They Awarded a Heisman for Homework, UC Berkeley Would Win for its Programs to Produce True Student Athletes")

Looking at all student-athletes, over half earned a cumulative GPA of 3.0 or higher. Divided by gender, they break out as follows: 190 men (42%) and 178 women (62%) earned a cumulative GPA of 3.0 or higher.

Six of the thirteen men's teams (46%) and eleven of the fourteen women's teams (79%) earned cumulative GPA's of 3.0 or higher.

Based upon data beginning in 2000-2001, over 83% of all student athletes admitted to the university have graduated (this is all admitted student athletes and does not refer solely to scholarship athletes). Conversely, federal graduation rates only analyze student athletes who enter the institution on athletic aid.

The Athletic Study Center's Degree Completion Program has graduated several former student athletes in the past year, fulfilling the long-term institutional commitment to support student athletes in earning their degrees.

Twelve teams scored perfect Academic Progress Rates for the 2007-2008 academic year, including men's and women's tennis, men's and women's golf, men's and women's cross country, men's gymnastics, women's crew, women's field hockey, women's lacrosse, women's soccer and women's basketball.

The university admitted 65 freshmen through the "Admission by Exception" process for the 2008-2009 academic year, which includes 15 exceptional athlete or Blue Chip admits. Of these, less than 10% were placed on academic probation.

As noted in the University's Student-Athlete Admissions Policy, all applications from recruited or tagged athletes are first sent through the usual comprehensive review process. Some small number of the tagged athletic applicants, perhaps 25 in a typical year, will be accepted for admission using the standard criteria. These students are no longer regarded as tagged athletes. In addition there are a number of student athletes who have not been recruited by the coaches, who apply to Berkeley, and are accepted. When they arrive on campus they try out and are selected to play on an intercollegiate athletic team. These so called "walk-ons" together with the athletes who are admitted on their own total around 50 per year. Thus, about 20% of the total number of students competing in intercollegiate athletics is students who were admitted through the regular admissions process.

The Athlete Admissions Policy describes a supplemental process for the review and admission of tagged athletes who were not admitted through the usual comprehensive review process. Academic preparation and an assessment of the student's chance of succeeding at Berkeley are carefully weighed on their own and in the context of support that the Athletic Study Center can provide. The student's character and determination, which are critical factors both on the athletic field and in the classroom, are also considered.

Is there clustering in academic majors?

There are 50 different majors currently represented among the 300 student-athletes who have declared majors. Among the declared majors last year were environmental science, art practice, business administration, political science, legal studies, economics, English, integrated biology and industrial engineering. Of the top 15 majors for student-athletes, seven are identical to majors in the top-15 list for all undergraduates. While no majors are off-limits, student-athletes select lab-based majors at a somewhat lower level than the undergraduate population as a whole. Some student-athletes may choose a particular major because of the flexibility in course offerings in order to accommodate their practice and competition schedule.

Why are student-athletes treated differently in terms of class registration?

It is a common practice at universities across the country to provide registration assistance to student athletes. Beyond the academic commitments they share with all UC Berkeley undergraduates, our student-athletes are also required to participate in up to 20 hours of practice a week, and a significant amount of time is required for travel and competition. In addition, in the course of a season, many will spend time being diagnosed and treated for injuries incurred during practice and competition. With so much of their free time already accounted for, assistance provided to student athletes during class registration is the best way to ensure they continue to meet their academic and athletic obligations.

These student-athletes represent the university in competition. If the institution is committed to having them graduate on time with a meaningful degree, then preference registration is necessary. Preregistration helps student-athletes take prerequisites for majors or to declare a major, and helps avoid clustering in any particular major(s).

What are the project costs of both the SAHPC and of CMS? Why do these projects need to occur?

The Regents have approved \$153 million for construction of the Student-Athlete High Performance Center (SAHPC), which includes interest during construction. The cost of the renovation of the west side of Memorial Stadium is expected to be close to \$300 million plus financing costs. Both projects will be supported by private fundraising, and are part of the campus' Long Range Development Plan. Going back to 1997, new seismic evaluation found that the stadium poses risk to users and needs an extensive retrofit, and the new and renovated facilities will provide a safe environment for both the average 63,000 fans that attend football games and the more the 450 student-athletes, coaches and staff who use the stadium on a daily basis. It is critical that seismic upgrades be accomplished through these projects to minimize the risk to the University.

Many of the teams that will use the SAHPC currently have no facilities, such as locker rooms, or outdated and cramped facilities that lag far behind their peers at other universities. Newer facilities will also significantly benefit the football program and will help ensure it is a sustainable source of revenue for the Athletic Department.

The new facility will also support the University's commitment to gender equity in all of its endeavors. In the wake of Title IX, Cal greatly expanded the number of women's intercollegiate teams without, to date, a commensurate increase in training space and locker rooms. The University can and must provide equitable facilities and resources to all of our teams and student athletes. The fact, that many of our women's teams do not have locker rooms of their own and must change clothing at home or in their cars is simply intolerable.

To date, approximately \$25M has been spent on SAHPC, funded primarily through donations and commercial paper. Together, these projects are intended to be self-supporting.

Is it possible to use funding raised for the Student Athlete High Performance Initiative or the work on Memorial Stadium to repay Athletics' debt to campus?

No. Funding raised for the Student Athlete High Performance Initiative (SAHPI) has been designated for, and restricted to the construction of the Student Athlete High Performance Center (SAHPC) and implementation of the SAHPI. This money is limited to expenditures pertaining to either the construction or the operations/maintenance of the SAHPC and is specified in the gifts made by the donors.

Both the SAHPC and the proposed renovation of Memorial Stadium are being supported in full by private donors. The new facility is one of the elements of our strategic plan to ensure and support the continued excellence of our program. 13 different intercollegiate teams, including seven women's teams, will benefit from the SAHPC.

Although the football team is only one of thirteen teams that will benefit from the new facility, we believe the construction is essential for the continued success of Cal's football program and, by extension, the financial health of the entire Cal Athletics operation.

Stopping construction of the SAHPC or implementation of SAHPI would not free up any capital for operating expenses in Athletics or the University as a whole. The project is being paid for by debt that has already been allocated and supported by completely restricted private donations. In addition, contracts have already been signed and external financing is contingent on construction. Beyond that we are taking advantage of one of the most favorable bidding climates in recent memory, allowing us to bring this building in a cost well below initial projections.

What impact is the SAHPI and renovation of CMS having on annual donations? Was this foreseen...and, if there is "cannibalization", what happens if it continues?

The SAHPI and CMS projects are supported through a FFE (Fund Functioning as an Endowment.) We have factored in to the FFE the impact of cannibalization on annual donations for seat requirements. We anticipate that there will approximately 2.3M in lost donations as a result of the ESP; however, that figure will be pulled from the FFE to cover annual expenses thus mitigating any negative impacts on annual revenue.

Does the "cannibalization" (if it exists) suggest this is the wrong time to be pursuing expensive capital projects?

The campus is under pressure from the Regents to address the life-safety issues of California Memorial Stadium expeditiously, so we developed an innovative financing program to retrofit the Stadium as well as addressing other issues around accessibility and crowd flow. If we weren't able to address this right now, the Regents, in all likelihood, would require that we move out of the Stadium in coming years, which would impose an additional financial burden on Athletics and the campus. In addition, proceeding with these important capital projects is allowing the University to realize very substantial savings in construction costs due what experts say is the best bidding climate in a very long time.

Although modernized facilities are needed to support Cal's student-athletes, coaches and staff, as well as the thousands of fans who attend football games each fall, providing safe and quality facilities were the driving forces behind both projects, which will create conditions for future success. The planning for the SAHPC and stadium renovation began well before the current economic climate occurred, and fundraising commitments for ESP are ahead of projections. Because "cannibalization" was accounted for in financial modeling, it cannot be blamed for any budget shortfall. Instead, the deficit is more likely due to 2008-09 football and men's basketball ticket sales not meeting forecasts and unanticipated increases in operations and financial aid.