I am Christine Rosen, the Secretary of the Council of UC Faculty Association (CUCFA). As Bob Meister just said we are requesting that you conduct an audit to determine whether the Office of the President is violating its own rules by using student educational fees to for debt service on its construction bonds.

As part of this audit, we would also like to request that you audit UCOP’s assertion that this debt is actually being paid out of the revenues generated by the revenue generating programs that are housed in the new buildings. We question whether most of these programs can generate enough revenue to service this debt. To give you an example why we are concerned:

Berkeley is in the process of constructing a $136 M Student Athlete High Performance Center and is about to begin a much larger $321 M renovation of the football stadium. The Department of Intercollegiate Athletics (DIA) is the revenue generating entity responsible for repaying the $457 M debt. Assuming a 4.8% interest rate, it will have to pay out $22M a year.

However, the DIA operates at a large multimillion dollar loss every year. A faculty group looking into the matter has discovered for the most recent 5-year period for which the DIA has released detailed data (2003-08), its cost to campus has been at least $10 million every year except for 2007-08 for which the cost was $7.4 million; and that for the most recent fiscal year (2008-09), the cost to the campus is expected to be a record high of approximately $13.5 million. The $22M debt service burden is going to come on top of this ongoing loss, creating at least a $33M shortfall per year. The faculty have heard that DIA needs to sell at least half a billion dollars worth of expensive skyboxes to generate the money to cover these costs. We question whether it will be able to sell enough to generate revenues of $33 M a year. Even if by some miracle it can do this, we want to know how the interest on $136 M debt incurred to construct the high performance athlete training center will be paid off during the years before the renovations to the football stadium are completed. Where will this money come from?

This is just one example of a revenue generating program that seems unlikely to generate the surplus funds needed to pay off the university’s debt. We suspect that many of the revenue generating programs assigned responsibility for paying off construction debt are incapable of shoulderling the entire debt service burden placed them. Please audit all such projects to determine what level of debt service the Regents can realistically expect such revenue generating programs to generate for this purpose.

In addition, please audit the revenue flows that the Regents can realistically expect extramural research grants to generate to contribute to the general revenues the UCOP is pledging as collateral for its construction debt and/or that it may be using to service this debt. We doubt that it is capable of generating enough revenue to relieve the university of the need to divert funds from student educational fees for this purpose.

Finally, let me tell you why conducting these audits is important. If in fact UCOP is diverting revenues from student educational fees to pay for debt service, this diversion is coming on top of the recent, devastating state budget cuts to instruction. So it is coming at a great cost to our students as well as to our capacity to maintain the university’s reputation as a world class institution. It is part of the reason why departments have had to slash course offering, increase
class size, cut back on funding for Graduate Student Instructors and graders faculty need to support their ability to teach gigantic classes effectively. It’s part of the reason why students restrooms are being cleaned even less than in the past and are in increasingly horrible, unsanitary shape and why garbage is not getting collected and departments are pulling out faculty phone service. It has to be recognized that it helped necessitate the furloughs and layoffs that have demoralized faculty and staff and undermined UC’s ability to retain its best faculty.

We’re told that the new buildings are an investment in UC’s long term future as a world class university. That may be, but in an era of financial crisis, diverting funds from student fees for this purpose means we are disinvesting in our students and our faculty – which is an even more serious threat to the university’s future.

\[i\] Computed from UC Berkeley Senate CAPRA estimates and DIA financial statements as shown on: http://budgetcrisis.berkeley.edu/?page_id=16

\[ii\] The DIA has not provided detailed financial information for the 2008-2009 fiscal year; only this estimate.