

An Assessment of Balanced Budget Priorities in California State University Athletic Programs: Remaining Competitive in a Crisis Environment

By

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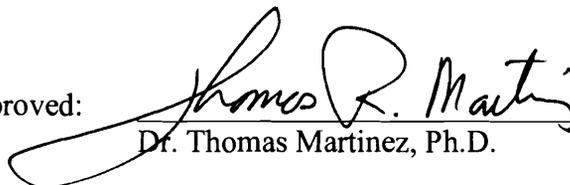
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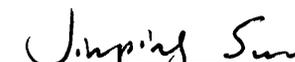
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Executive Summary

California State University (CSU) intercollegiate athletic programs are faced with tough discussions every budget cycle. Budget discussions begin with the planning and forecasting of revenues and expenses. However, many revenue sources are decreasing due to the current economic downturn. In addition, expenditures costs are increasing at record levels. For example, some programs dependent on interest income from endowments are not receiving the same return on their investments. Tuition costs and travel costs are increasing to unsustainable levels.

The following information will review and examine what other CSU athletic programs are doing to balance budgets while remaining competitive in a crisis environment. How will they increase revenues as well as reduce spending? Information will be identified as to how other campuses are exploring options of increasing revenues. Reductions or possible eliminations related to scholarship, recruiting, supplies and services and travel expenditures will be identified. The importance of this study will assist in establishing the priority shifts being made by other CSU athletic programs.

While establishing the importance of this study, there will be a review of literature to examine information currently being discussed as each intercollegiate athletic program struggles with the tough decisions of budget shortfalls. In addition, information from other athletic programs outside of CSU athletic programs will be available for review.

The intent of this study is to explore strategies to assist CSU intercollegiate athletic programs with the decision making process of budgetary challenges within a competitive environment. This study will provide information to help analyze and establish priorities for athletic administrators to lead and manage a successful athletic program. Potential solution strategies will be provided to explain opportunities related to increasing revenues as well as decreasing expenditures during the budgetary planning process.

The following areas will be discussed related to increasing revenues. Increasing major gift donations as well as endowments is an area to explore. Expanding corporate sponsorships revenues increases would be helpful. The possibility of public-private partnerships is an option of increased revenues. Many CSU athletic programs will pursue student fee referendums. Some campuses are reviewing occupancy tax options. Although donations are typically made to the general athletic funds, many campuses are allowing sport specific donations.

Decreasing expenditures is necessary as intercollegiate athletic programs struggle to balance budget shortfalls. The following areas will assist athletic programs as they begin to review possibilities of decreasing expenditures. Reducing budgets across all areas of sport specific budgets is typically the first response by athletic administrators. Some are reducing only with the minor sports. Others are eliminating pre-season competition as well as non-traditional competition. Eliminating entire sport teams is the most difficult decision.

Exploring all options is imperative as athletic administrators establish trade-offs and changing priorities. The importance of identifying changes in revenue sources and priorities may assist athletic administration in balancing their budgets in ways that do not put them at a competitive disadvantage.

CHAPTER 1

Introduction

Many intercollegiate athletic programs across the California State University (CSU) system are faced with tough discussions every budget cycle. Budget discussions begin with the planning and forecasting of revenues and expenses. However, many revenue sources are decreasing due to the current economic downturn. In addition, expenditures costs are increasing at record levels. For example, some programs dependent on interest income from endowments are not receiving the same return on their investments. Tuition costs and travel costs are increasing to unsustainable levels. When administration determines there are not enough revenues to cover the expenditures, budget discussions reach high levels of frustration by all parties involved.

Athletic department administrators within the CSU allocate revenues to remain in compliance with guidelines stipulated through the National Collegiate Athletic Association (NCAA), conference affiliations, and gender equity requirements. The NCAA stipulates a defined number of men's and women's sport teams depending on affiliation of Division I, II or III. For example, Division I campuses are required to field a minimum of fourteen sports.

Conference affiliations may require the fielding of specific sports teams such as the sport of baseball. This request becomes difficult when many campuses are required to add a specific sport in order to accommodate conference mandates. In addition, conference affiliations determine scheduling which may create enormous travel budgets.

Lastly, gender equity standards associated with Title IX become a budgetary challenge. Specifically, campus administration is responsible for funding men's and women's sport teams to establish compliance within the entire program in relationship to gender

equity. Schools are deemed compliant if they accommodate participation opportunities for male and female students at the institution to their respective undergraduate enrollments.

The budget dilemma has reached areas of discomfort among men's sport teams. At some campuses, athletic budget negotiations begin with questions related to the elimination of men's sport programs in the name of Title IX due to lack of funds. These set-backs create budget challenges within intercollegiate athletic programs that are painful but necessary during the decision making processes of budget planning.

This research study will examine what other CSU athletic programs are doing to balance budgets while remaining competitive in a crisis environment. How will they increase revenues as well as reduce spending? This study will identify what other campuses are exploring to increase revenues. Reductions or possible eliminations related to scholarship, recruiting, supplies and services and travel expenditures will be identified. The importance of this study will assist in establishing the priority shifts being made by other CSU athletic programs.

Statement of the Problem

With the decrease in the recent economy many intercollegiate athletic programs are finding it difficult to maintain a balanced budget. They can not afford to continue the current levels of funding due to increasing budget constraints. Decreased revenues and increased expenditures continue to create challenges for the CSU intercollegiate athletic programs. In reviewing today's athletic environment, there are approximately 96% of NCAA athletic departments in Division II and III operating with expenses exceeding revenues (Tomasini, 2005).

CSU intercollegiate athletic programs are facing reduced allocations from their institutional budgets. Discussions are currently taking place within CSU intercollegiate athletic administrations including layoffs and eliminating entire teams. Tough trade-offs and budget priority decisions need attention. Current budget challenges are making athletic program administrators scrutinize how they manage their programs today and long term.

Even more, as California State University, Bakersfield (CSUB) makes tough athletic budget balancing decisions and trade-offs, it must seek to do so with some understanding of how other CSU's are shifting their priorities. Knowledge of budget shifts and trade-off decisions made by other CSU "competitors" is critical. Priority shifts in athletic balancing budgets decisions made by other campuses can create competitive advantages and disadvantages.

Purpose of Study

The purpose of this study is to assess budgetary trade-offs and changing priorities of each CSU intercollegiate athletic program. The importance of identifying changes in revenue sources and priorities may assist CSUB's athletic administration in balancing their budgets in ways that do not put us at competitive disadvantage. This study may identify potential expenditure reductions at each CSU intercollegiate program to assist athletic administration in making tough decisions related to budget reductions.

This study will hopefully assist CSUB establish possible new revenue sources within the areas of fundraising. There may be new fundraising opportunities which other CSU's are exploring. Opportunities to increase fundraising efforts are always on the minds of athletic administrators.

While increasing revenues is important, reducing the expenditures is imperative. This study will explore the possibility of spending reductions as well as the possibility of eliminating entire sport teams. Some of the areas of spending reductions consist of travel, supplies, recruiting, scholarships and coaching salaries.

This assessment will consist of surveying budget information from all CSU campuses where intercollegiate athletic programs are actively participating within the NCAA.

Specifically, this survey will ask the following questions:

1. Is your CSU Intercollegiate Athletic Program projecting a deficit or balanced budget for 2009-10?
2. Please discuss possible spending reductions as well as the possibility of eliminating entire sport teams.
3. How will your athletic program prioritize the reduction of expenditures? What key elements will you address?
4. Will travel budgets be reduced? Will non-traditional season travel be allowed? Is your athletic program entertaining the thought limiting overnight travel? Will meal monies be reduced per student athlete?
5. Do you anticipate that recruiting budgets will be reduced?
6. Will supplies and services be reduced? Is so, what areas will mostly be affected?
7. Do you anticipate scholarship reductions?
8. How is your athletic program planning to increase revenues? Please identify potential new fundraising opportunities.
9. Please identify the percentages of revenue sources within your institution.
10. Are any athletic department staff reimbursed by other campus entities?

The task will be difficult. Many CSU intercollegiate athletic programs are protective of their financial information and are reluctant in sharing potential budget reductions. The intent of this study will facilitate an opportunity to provide a broad range of questions related to the financial management of CSU intercollegiate athletic programs. The survey of questions will help to identify potential increased revenues as well as possibilities of decreased expenditures.

Importance of the Study

The California State University intercollegiate athletic programs provide a vital role to their campuses. The importance of maintaining the continuity of athletic programs provides school spirit and enhances campus life for students. In addition, student athletes are afforded the opportunity to attend a university and competitively participate in an intercollegiate athletic program. Some of these student athletes simply do not have the financial assistance to attend college unless scholarships are available through a program such as intercollegiate athletics.

The intent of my research is to explore strategies to assist CSU intercollegiate athletic programs with the decision making process of budgetary challenges within a competitive environment. This study will provide information to help analyze and establish priorities for athletic administrators to lead and manage a successful athletic program. In addition, this research project may provide information to explore additional revenue sources including fundraising, team building and the possibility of public-private partnerships. In addition, research of decreasing expenditures such as travel, scholarships, supplies and services, and recruiting will be explored. The conclusion will provide strategies to explain opportunities

related to increasing revenues as well as decreasing expenditures during the budgetary planning process while understanding the need to remain competitive. Athletic programs utilize the competitive factor to create and build goodwill among fans, alumni, donors, and present and future students.

CHAPTER 2

Review of Literature

“Facing a rapidly deteriorating state economy coupled with the failure of Propositions 1A that would have provided \$5.8 billion in General Fund revenue, California’s budget deficit will grow to \$21.3 billion. Governor Schwarzenegger has proposed cutting \$410 million from the 2009-2010 California State University budget. This reduction is the equivalent of a 10 percent overall budget reduction, and a 15 percent reduction in the state’s General Fund support of the university system” (Reed, 2009).

While each CSU campus explores reductions within institutional budgets, the athletic programs are bracing for the worst. CSU athletic administrators are scrambling to understand exactly what percentage of cuts they are up against. Will their reductions be equivalent to the ten percent overall budget reduction or possibly higher? The economic downturn has affected many intercollegiate athletic programs across the nation. Many CSU athletic directors are nervous about the national economic downturn and looking at what others are doing to balance budgetary resources.

The following information will assist in understanding the dynamics of budget shortfalls within intercollegiate athletic programs across the United States.

After three decades of steady growth in the number of teams and student-athletes, universities are slashing millions of dollars from their sports budgets (Belson, 2009). Athletic staffs has been dismissed, team travel arrangements have been reduced as well as equipment budgets continue to shrink. Many intercollegiate athletic programs face large deficits. The University of Cincinnati wiped out scholarships for three men’s sports and Stanford University told its fencing teams to look for other financing (Belson, 2009).

As the economy worsens, athletic administrators are preparing for the worse. Endowments at public and private schools are losing money at a record pace, donations are dropping and states are reducing allocations to universities across the United States. With the uncertainty of our nation's future economy, extreme actions are a fear in the mind of every athletic director.

"We just couldn't make cuts across the board anymore," said Blake James, the athletic director at the University of Maine, explaining why his department cut its men's soccer and women's volleyball programs (Violette, 2009). These types of decisions are the most difficult. Typically, intercollegiate athletic programs do not want to be involved with the decision making process of eliminating entire sports teams.

Many athletic administrators worry about the decreasing amount of funds allocated for intercollegiate athletics within their institutions. "The athletic programs will feel it first," says a New Jersey Athletic Director. "I'm afraid the future holds less, not more, for athletics" (Manos, 2003). The majority of athletic directors are bracing for what lies ahead.

Intercollegiate athletic programs are striving to make the best decisions while balancing annual budgets. Within the CSU, institutional support allocated to the athletic departments consists of small percentages. Many athletic programs subsidize their budgets by fundraising, student fee referendums and various other revenues sources such as guarantees and ticket sales.

Institutional support is projected to decrease even more across the CSU intercollegiate athletic programs. This is an area of great concern currently within each program. Meetings are taking place to discuss possible reductions. Scenarios are being prepared and distributed to athletic directors and administration for review.

How will athletic administrators balance their annual budgets while remaining competitive in this crisis environment? Intercollegiate athletic programs exemplify a competitive spirit. Goals are established within athletic programs across the nation to support educational missions of their institutions. In addition, athletic programs promote and support a competitive force within all teams. Student athletes develop personally and socially through these competitive experiences. They develop interpersonal skills, including teamwork and the ability to collaborate. With many athletic programs trying to find a way to manage their cuts, it may be difficult to remain competitive.

The CSUB intercollegiate athletic program would like to understand what other campuses are doing within the process of this budgetary dilemma. Are athletic programs cutting across the board or are they reducing specific line items? Prior to making budgetary decisions, CSUB is dependent on what others are doing within the CSU.

Intercollegiate athletics is extremely competitive. As athletic programs make budgetary decisions, the rationale behind these tough decisions will assist CSUB in exploring possible alternatives while finalizing budget reductions.

Thomas Dye identified competitive situations as game theories. "Game theory is the study of decisions in situations in which two or more rational participants have choices to make and the outcome depends on the choices made by each" (Dye, 2008 p. 25). Typically, there is not necessarily the right choice. The game theories basically identify the best outcome dependent on what others do. The idea of the game theory is that rational decision makers are involved in choices that are interdependent (Dye, 2008).

The CSU athletic programs are interested in decisions of other sister institutions. Although many of the athletic programs are reluctant to share information related to budget

allocations, it is important to each one of them to know exactly where the cuts will take place.

CHAPTER 3

Assessment of Balanced Budget Priorities in CSU Athletic Programs

Many states are facing a great fiscal crisis. Legislatures are limiting allocation of tax revenues toward many government agencies including college campuses. The limitation of funds are draining university reserves and causing administration to evaluate each of the areas within the institution. The CSU institutions tend to allocate the largest portion of budget revenues to academic programs rather than athletic programs. In addition, the campus community frequently targets budget cuts to the athletic departments rather than the academic departments.

A typical university choosing to compete in college athletics will field some twelve to fifteen sports, many involving both men's and women's teams and will spend millions of dollars annually (Padilla & Boucher, 1987). In today's environment, many CSU intercollegiate athletic programs are experiencing record level expenditures as well as decreasing revenues. With this in mind, how will it be possible for the CSU athletic programs to manage annual budgets without falling victims of deficit spending? How will they remain competitive through the process?

Intercollegiate athletic programs typically have three major revenue sources. The first is institutional or university general fund budgets. Universities allocate funding to all areas within the institution including the athletic department. Yet, it is important to note that institutional general fund allocations made to athletic programs is minimal compared to the academic fund allocations. The second source of revenue is generated by student referendum fees. The student body votes in favor of supporting athletic programs to enhance competition and improve campus life. A final source of revenue involves fundraising and endowments.

Fundraising funds are made up of ticket sales, donations and corporate sponsorships.

Endowments are established with major gifts and provide lifelong revenues through investments. Often, fundraising funds are utilized to close the gap of major deficits.

As state legislatures constrain allocations of tax revenues to the CSU, schools will need to think outside of the box especially in relationship to athletic programs. This is not an unfamiliar thought to intercollegiate athletic programs. They currently supplement annual budgets with fundraising activities. Some CSU athletic programs employ development and marketing personnel teams to raise funds and help balance budget deficits.

Fundraising has become extremely difficult with the downturn of the economy. Athletic programs are learning very rapidly that they must create other revenue sources. The need for athletic programs to generate money from other sources such as public-private partnerships may be helpful (Chandler & Thompson, 2007). In addition, marketing and promoting intercollegiate athletic programs generate exposure, which promotes exposure to the community. The ability to raise additional funds increases with greater exposure. These approaches may help to offset budget constraints and shortfalls for athletic programs.

The previous information addressed an area of balancing athletic program budgets related to increasing revenue sources. The next area to review is related to expenditures. The increases of expenditures within CSU athletic programs continue to contribute to the deficits within annual budgets. With the expectations related to high levels of competition in college athletics, the reality of spending large amounts of money to recruit competitive student athletes as well as provide full scholarships becomes very expensive. Many athletic programs are spending large amounts of money to create an edge on their opponents. The

need to control spending is instrumental as athletic programs struggle to maintain a balanced budget.

There are five major spending areas to review related to CSU athletic programs. The first area of spending is connected to administrative and coaches' salaries. Administratively, athletic programs are responsible for establishing an infrastructure to accommodate student athletes such as sports medicine, sports information, compliance and academic advising. Salaries alone for these areas as well as coaches' salaries accumulate to extremely high levels.

Coaching salaries include both head coaches as well as assistant coaches. These salaries can be extremely competitive depending on the sport.

Scholarship expenses continue to increase. Institutions within the CSU are raising the cost of tuition and living expenses. Scholarships are allocated to student athletes for school tuition and living expenses. The NCAA establishes maximum levels of funding depending on team affiliations. Most athletic programs tend to maximize scholarship allocations to the major sport teams and minimize scholarship allocations to minor sport teams. Major sport teams are comprised of sports such as football, men's and women's basketball, baseball, men's and women's soccer, women's volleyball and softball. Minor sport teams typically consist of the remaining intercollegiate sports.

The third major expense is related to student athlete travel for in-state and out-of-state travel. Conference affiliations dictate travel schedules. Institutions within the CSU are affiliated with Division I, Division II and Division III conferences. In some cases, it will be difficult to assume across the board cuts due to each programs commitments toward their

conference. In addition, many athletic programs choose to travel pre-season, which creates additional costs in travel.

Recruiting expenditures are climbing rapidly. This area of spending is needed for those athletic programs choosing to maintain high levels of competition. Coaches strive to generate increased budget allocations in the area of recruiting dollars to create an edge above their opponents.

Lastly, supplies and services are utilized to provide the necessary equipment to student athletes. Practice gear, team uniforms, sport equipment, entry fees and other miscellaneous items are needed to allow student athletes the opportunity to practice as well as compete within their sport. The costs of officials are expensed through the supplies and services account as well.

It is clear that many expenditure classifications need to be examined for possible reductions. Although it may seem easy to reduce or possibly eliminate sport teams, these procedures may paralyze intercollegiate athletic programs. The CSU athletic directors as well as administrative decision-makers have a daunting task ahead of them.

CSU athletic administrators continue to struggle with making decisions associated with balancing annual budgets of CSU intercollegiate athletic programs. They will need to review potential funding sources to supplement revenues. In addition, they will be faced with discussing possibilities of reducing expenditures.

Many CSU intercollegiate athletic programs are extremely nervous with the current budget challenges. How will the administration of each campus deal with balancing campus budgets as well as athletic department budgets? Although doubtful, is it possible that CSU campus administration may provide additional general fund allocations to balance the

budgets? Another option would require the athletic departments to reduce or possibly eliminate team sports. The results are yet to be determined. This study will provide a survey of questions to address current and future possibilities.

Researching the CSU campuses will provide additional information related to revenue sources. The information will be extremely helpful in working toward a solution of ever-increasing percentages of budget reductions. In addition, information related to controlling expenditures within the general athletic fund as well as the sport specific teams will be helpful while making decisions during the budgetary process. Budget challenges are not an easy task. It will take research, time and effort during the balancing of budgets to accommodate a competitive intercollegiate athletic program.

The purpose of this study is to assess budgetary trade-offs and changing priorities of each CSU intercollegiate athletic program. The importance of identifying changes in revenue sources and priorities may assist CSUB's athletic department administration in balancing their budgets in ways that do not put the institution at a competitive disadvantage. This study may identify potential expenditure reductions at each CSU intercollegiate program to assist athletic administration in making tough decisions related to budget reductions.

This assessment will consist of surveying budget information for all CSU campuses where intercollegiate athletic programs are actively participating within the NCAA. Specifically, this survey will assist in understanding exactly which budget areas are important to other CSU campuses. What areas of expenditures are intercollegiate athletic programs willing to reduce? Which areas are they reluctant to reduce or possibly eliminate? The study will also explore and identify areas of possible new revenue sources.

2009-10 Budget Projections

The first area to recognize is related to 2009-2010 budget projections. It is important to identify if the CSU intercollegiate athletic program is projecting a deficit or balanced budget for 2009-2010 fiscal year. Many athletic programs are currently waiting for the final percentage of cuts within their institutions. With the failure of Proposition 1A, the CSU Chancellor's Office is currently working through Governor Schwarzenegger's proposed cuts. The final percentages have not been disbursed to campuses across the CSU. Therefore, there may be difficulty in gathering vital information.

Reductions/Eliminations

There are many areas within CSU athletic programs where reductions may occur. Some campuses may decide to reduce the general workforce areas such as the business, sports information or compliance areas. Other campuses may decide to reduce coaching assignments. Decisions may be made to reduce or possibly eliminate assistant coaches.

Travel budgets may be reduced. Travel schedules are an important aspect of recruiting new student athletes. Coaches will utilize a good schedule to entice a student athlete recruit prospect. Student athletes enjoy traveling out-of-state to compete, especially if the travel involves a desired area. In addition, student athletes enjoy competing against teams with high exposure.

Travel budgets may be reduced to in-state travel only with no out-of-state travel opportunities. In addition, travel budgets may be limited to only conference competition. Pre-season competition may be eliminated.

Recruiting is a competitive element of the budget process. The intercollegiate athletic program recruiting process has not only developed into a highly competitive arena, it has

become extremely expensive. Coaches are traveling across the state of California to recruit the best of the best student athletes. Some coaches are traveling throughout the United States.

Many of the recruiting expenditures are associated with coaches travel reimbursement, student athlete travel reimbursement, telephone charges and campus visits. Which area within the recruiting budget would a coach reduce? This is a difficult question when a coach is competing to recruit the best student athletes. The process of recruiting involves planning, developing a relationship with the prospective student athlete, solidifying the signage of a National Collegiate Athletic Association (NCAA) letter of intent and generating enough money to recruit the finest student athlete.

Supplies and services budgets are allocated to each sport team. Uniforms, practice gear, officials, entry fees, game guarantees, equipment and miscellaneous other items are expensed through this portion of the budget. In years past, many athletic programs have reduced supplies and services budgets to a minimal level. Many programs may find it difficult to additionally reduce this portion of the budget.

Lastly, the area of scholarship expenditures is most competitive. The NCAA allows each sport team to allocate full scholarships up to the maximum equivalency allowed per team. Athletic programs across the CSU strive to fund sport teams at the maximum levels allowed by the NCAA. Many athletic programs tend to fund this area of the budget with higher levels of financial support. The finest student athletes are interested in full scholarships rather than partial scholarships.

There are many areas of the budget to consider for reduction. The problem with reducing each of the areas is that many of the CSU athletic programs have reduced annual operating budgets continuously for the past four or five years. Reducing budgets are not

unfamiliar to athletic programs across the CSU. Coaches and staff are accustomed to the slow, deteriorating process of reducing expenditures. The difficulty within the past annual reductions is that there may be no room for additional cuts.

As athletic programs discuss possible budget reductions, there may be discussions related to eliminating entire sport teams. It may be difficult for athletic programs to discuss this type of reduction. Eliminating sport teams cause frustration within the campus communities as well as the community at large. This is an extremely sensitive area of discussion.

Importance of Priorities

Each campus may prioritize the reduction of expenditures. This type of information is important to understand and will provide the ability for CSU athletic programs to identify which expenditures are important to other institutions.

As budget reductions are discussed, it will be important to identify which areas of the budget will be prioritized. Will supplies and services be the first to be reduced or will assistant coaches be eliminated?

Prioritizing reductions may also involve looking at possibilities of establishing major and minor sport programs. For instance, Men's and Women's Basketball programs may be prioritized as a major sport. Funding for these sports would be prioritized and experience limited reductions. Minor sports such as Men's and Women's Swimming may be the first to be reduced and receive the largest cuts.

Some CSU athletic programs may have different priorities depending on conference affiliations. Some institutions may have budget mandates stipulated by conference

guidelines. Other campuses may be required to fund scholarships at certain levels depending on if their athletic program is NCAA Division I, II or III.

Travel Budgets

Travel budgets can be diverse depending on the conference affiliation. Many conferences exist within CSU athletic programs. Predominantly, many of the NCAA Division I campuses are affiliated with the Big West Conference and at the NCAA II level, there is the California Collegiate Athletic Association (CCAA). The remaining campuses are affiliated within NCAA Division III and Independent Conferences.

Reducing or eliminating competition in the non-traditional season will be key information to gather. It will be important to discover if out-of-state travel will continue. Will campuses decide to reduce this area of travel or will they make decision to reduce other areas such as overnight stays or meal money?

Some teams may travel the day prior to competition. This is an expense which campuses may evaluate for possible reductions. Teams may be forced to limit travel to day of competition.

Travel squads may be reduced. Currently, teams are traveling with maximum allowed student athletes, coaches, sports medicine staff, media relations staff and managers. It will be important to discover if the team travel will be reduced to minimum levels. For instance, sports medicine staff and media relations staff may not be allowed to travel due to budget reductions.

Student athletes are allocated meal money while traveling for competition events. Typically, the allocation is much smaller compared to CSU approved guidelines for travel reimbursement. Therefore, it may be difficult to reduce this area of the travel budget.

Recruiting

Reducing recruiting budgets is fragile in a competitive environment. Recruiting is the lifeblood of all athletic programs, and having sufficient funding sources to recruit is important. Reducing budgetary allocations within this area would create a possible disadvantage to each team within intercollegiate athletic programs. Will CSU athletic programs reduce this area of their budgets? Or, will they decide to reduce other areas? The importance of other campuses views will be important to examine.

Supplies and Services

Supplies and services are typically the first areas of budget allocations which most athletic programs review for reduction. Athletic directors normally associate the first round of cuts within this portion of the budget. Prioritizing reductions of equipment and apparel within major and minor team sports is important information to gather. As campuses make these tough decisions, will campuses force individual sport teams to subsidize supplies and services budget with donations?

Other areas of expenditures within the supplies and services budget lines are associated with pre-season practice schedules. Some teams participating in the fall season provide stipends to cover housing and meals for student athletes. Other teams may provide stipends to student athletes who are required to participate in practice schedules over winter and spring breaks. Scholarship allocations do not cover the costs of participation in non-academic schedules. It may be the choice of some CSU intercollegiate athletic programs to reduce pre-season practice schedules. Will CSU athletic programs bring teams back to campus later than the permissible start date to reduce pre-season meal and housing expenses? This may be an option to explore.

Scholarships

Athletic scholarships are one of the largest expense areas for intercollegiate athletic programs. The NCAA rules limit the number of scholarships that may be awarded to each sport. With the recent tuition increases, athletic scholarships are among the fastest rising expenses within the CSU athletic programs. With these types of increases, how will the CSU athletic programs manage reductions within this area of the budget?

It will be important to gather information related to athletic scholarship allocations associated with major and minor teams. Will CSU campuses be reducing scholarships within the major sports? Or, will they simply reduce the scholarships of minor teams? As reductions are explored, it will be important to gather information related to possible athletic scholarship elimination. Are there programs thinking about eliminating athletic scholarships?

Some campuses may decide to reduce out-of-state athletic scholarships while others may decide to eliminate out-of-state scholarships in its entirety.

Increasing Revenues

Increasing revenues is currently being discussed within each CSU athletic program. It is important to understand what the total amount of funds are currently being fundraised within each program as well as the expectations of future fundraising opportunities. Institutional support is sure to be reduced. Therefore, athletic programs may decide to pursue a student fee referendum to gain additional revenues.

Many athletic programs currently raise revenues to balance annual budgets. Fundraising is part of every athletic program. Booster clubs, special events, corporate sponsorships, ticket sales and endowments are associated with fundraising activities. Are there other areas of fundraising being discussed?

Another area of revenue production is related to the possibility of Public-Private Partnerships. For instance, CSU Dominguez Hills created a partnership with Home Depot. There was a partnership created to build a number of facilities to accommodate interest in a variety of opportunities such as soccer, tennis and other areas of interests.

Budget Allocations

CSU intercollegiate athletic programs are funded in a variety of different ways. Typically, athletic programs across the CSU are funded through institutional support, student fee referendums and fundraising activities. An important element of information to gather will be associated with the percentages of increases or decreases of each revenue source may be affected.

CSU athletic programs may experience revenue sources divided by thirds. For instance, approximately one-third of revenues may come from institutional support; one-third may come from student fee referendum as well as one-third from fundraising activities. Budget scenarios are easier to assess when this type of factual information is available.

The final area to evaluate is associated with expenditures reimbursed from other institutional entities. For instance, many institutions may decide to cover expenses associated with academic advising or compliance positions. In addition, are there CSU institutional general fund budget allocations covering athletic facility maintenance and custodial expenses? It will be important to accumulated information associated with potential reimbursed activities paid from other campus departments.

As the CSU intercollegiate athletic programs determine the best course of action, it will be a difficult task. Athletic administrations across the CSU are extremely protective of their financial information and are reluctant in sharing potential budget reductions. The intent

of this study will facilitate an opportunity to provide a broad range of questions related to the financial management of CSU intercollegiate athletic programs. It may help identify potential increase revenues as well as possibilities of decreased expenditures.

CHAPTER 4

Summary

Minimal formal informational research has been conducted regarding the range of options used by CSU intercollegiate athletic programs in managing budgetary shortfalls. However, athletic administration personnel believe it is important to gain the inside knowledge of increases or decreases associated with sport specific budgets in relationship to financial management. As the CSU athletic programs weather the budget crisis storms, they fear the difficult task of recovery.

The CSU intercollegiate athletic programs are funded from three funding sources. First, each of the athletics programs is subsidized with institutional support. Secondly, student body fees are collected at most campuses to assist with budgetary expenses. Lastly, athletic programs raise funds through a variety of areas which covers the remaining portion of their budgets.

With the economic downturn, increases in scholarships resulting from the rapid rise in tuition, the need to augment travel budgets of many programs and the cost of expenditures to address gender equity have resulted in CSU intercollegiate athletic programs projecting significant budget deficits for the 2009-10 fiscal years.

The purpose of this study is to explore strategies to understand the CSU intercollegiate athletic programs decision making process of budgetary challenges within a competitive environment. Information is desperately needed to help analyze and establish priorities for athletic administrators to lead and manage a successful athletic program.

Conclusions

This study found that many of the CSU athletic programs are projecting 2009-10 annual budget deficits. Although the final reductions have not been communicated to each campus program, athletic administrators are bracing for the worst.

Institutional allocations originally were projected to be reduced by approximately ten percent. Prior to this projected reduction, athletic administrators were already struggling to balance their budgets overall. With the economic downturn, revenue sources such as tickets sales, donations and corporate sales are decreasing.

Since ticket sales, donations and corporate sales have fallen short of their needs, athletic administrators are seeking additional major donor gifts as well as endowments. They are exploring new and improved fundraising opportunities such as large special event fundraisers. Some campuses are approaching current donors to donate additional funds.

Some CSU intercollegiate athletic programs are thinking about approaching the student body with a student fee referendum to balance potential budget shortfalls. Although this plan has worked in the past, it is doubtful the plan will benefit athletic programs today. Although San Diego State University President Stephen L. Weber announced that he will implement a fee of \$80 per semester increase in the campus' current Instructional Related Activities (IRA) fee back in April, 2004, the Chancellor's office will not allow the student fee increase at this time (Anonymous, 2004). They are reluctant to pass further increased fees to the student body.

Public-private partnerships were discussed. There are financial as well as goodwill opportunities within public-private partnerships. Some campuses are exploring the expansion of current corporate sales operations to establish long-term public-private partnerships. This

type of partnership will promote multiple branding opportunities for both organizations as well as additional funding. Athletic programs could assist in marketing and introducing new products to the campus community while benefiting from additional revenues paid by the private partner. The private partner would benefit with increased consumer traffic, sales and exposure.

Other areas of increased revenues involve the possibility of an occupancy tax option. This option is established through local city or county agencies to implement additional tax percentages on hotel bills.

Many CSU athletic programs are simply requesting each sport specific team to fundraise additional funds. Therefore, coaches will be required to balance their budgets with additional fundraising. Athletic administrators are implementing statements in the coaches' appointment letters which stipulates the additional task of fundraising.

There are some athletic programs utilizing remaining coffers of reserves while balancing their budget deficits. Many have experienced reductions for the past few years and are nervous about next years' future expenditures because reserves will no longer be available.

While CSU intercollegiate athletic programs struggle to raise additional revenues, athletic administrators realize there is a necessity to establish budget reductions. Many athletic administrators are facing difficult decisions as their revenues continue to shrink. Difficult decisions are being made to lay some people, cut back a few programs and delay some facility maintenance.

This study asked tough questions of exactly where the reductions were taking place. While athletic programs leverage expenditures for a competitive advance, it is important to

understand which operating expenditures are going to be reduced. The operating expenditures within sport specific teams are associated with travel, supplies and services, recruiting and scholarships.

CSU athletic programs are reducing travel budgets by eliminating pre-season competition. The cost of staffing, officials, travel and meals all add significant budgetary pressure for games which do not count toward conference records. In addition, some athletic programs are reducing travel squad sizes to save on the cost of flights, meals, hotel rooming arrangements, etc.

The supplies and services budget allocations will suffer a reduction by eliminating out of season practice opportunities. Sports such as volleyball and soccer currently participate in a nontraditional season to gain a competitive edge. Some athletic programs are currently exploring this option. By eliminating out of season practice sessions, costs associated with the sports medicine operations, housing and meals will be reduced. In addition, bringing fall teams back to campus later than the permissible start date will reduce pre-season meal and housing expenses.

Many other areas are being explored within supplies and services reductions. CSU athletic administration is examining game management staff. Expenditures add up quickly in this area with the cost of ushers, ticket takes, custodial and security staff. Coaches and staff are eliminating over-night mail and general office supplies to assist in the budget reduction process. Lastly, coaches are tightening their teams' equipment and apparel expenditures. Student athletes are utilizing last years practice gear rather than purchasing new gear.

The reduction of recruiting budgets is fragile. Coaches rely on this portion of the budget to recruit the most competitive student athlete. Many CSU athletic programs are

exploring the option of promoting technology in the recruiting process. For instance, media guides are currently printed on paper stock. Athletic programs are currently moving toward placing these guides on athletic program websites.

The final area of operational costs within sport specific teams is related to scholarships. Scholarships play a vital role in competitive athletic programs. This is an area which many athletic administrators are reluctant to reduce. Many CSU athletic programs communicated that if reductions must be made within the scholarship portion of the budget, the reductions would reflect with only the minor sport teams.

Although some of the CSU athletic programs will take advantage of specific operational reductions, many CSU athletic administrators are planning to establish a percentage of reductions across the board. Reductions will be communicated to each head coach for discretion. The head coach will be allowed to decide which operating expenditure will be reduced within their own budgets.

Overall budget reductions become difficult when the cuts are more than a program can bear. It is at this point, CSU athletic programs have begun to explore the possibility of entire sport team elimination. This is a painful process which affects many entities. With the fear of eliminating entire sports teams across the nation, CSU athletic administrators are currently reviewing this option as a last resort.

Other areas of reductions are being explored through environmental resource usage. For instance, coaches and staff are responsible for turning off lights in empty facilities and offices. Each campus is working toward becoming a paperless operation.

Recommendations

The decision making process of budgetary reductions are extremely difficult and become a monumental task. Athletic administrators explore all options and contemplate the advantages and disadvantages.

The following recommendations will offer suggestions as to how athletic administrators can begin to make the tough budgetary decisions while remaining competitive within a crisis environment.

First, it is recommended that CSU athletic administration differentiate minimum membership requirements imposed by the NCAA, conference affiliations and gender equity requirements in the name of Title IX. Once the minimum requirements are established, there is a better feel as to the amount of reductions a program can handle in the budgetary areas.

Second, it is recommended that CSU athletic administrators prioritize the areas for budget reductions. Once the information is gathered from other California State University athletic programs, the priorities of cuts should align with the competing programs. Competitive athletic programs need to understand where reductions are being made by other similar campuses. Basically, it is recommended that athletic administrators align themselves and allocate budget dollars to the priorities of other CSU athletic programs.

If prioritizing reductions is rejected in some way, it is recommended that CSU athletic administrators allocate a percentage of the budget reductions to head coaches. With this type of reduction, it allows the head coach an opportunity to cut budget line such as travel that may not be as important as another team sport. This allows the head coach to assess their specific sport by established percentages. Therefore, it is not just an administrative decision

but a decision made by an accumulation of thoughts from coaches, staff and administration. It is necessary for all parties to buy in to the reductions.

Fourth, it is recommended that CSU athletic programs establish a tier system. A tier system divides sport teams by major and minor sports. Major sports would be considered the first tier. Teams such as Basketball, Baseball and Volleyball typically exist within this first tier. Major sports would experience minimal reductions at the first tier level.

The second and third tiers would be considered minor sport teams. The second tier would experience a fifty percent reduction and the third tier, eighty percent. Once the reductions are final, coaches would be allowed fundraising opportunities to balance annual budgets. This would assist in developing a strong support group in the community.

Lastly, the final recommendation is most difficult within the CSU athletic programs. Many are reluctant to discuss this possibility. Although it is recommended that if the above reductions are not met, many CSU athletic administrators may need to begin discussions related to team sport eliminations. This may be the final option to maintain financial stability within their programs.

It is important to understand that although the above recommendations identify reductions, each CSU athletic program are encouraged to increase reliance on alternative revenue sources including private endowment income and additional annual giving support. Fundraising shall be increased to help offset budget deficits. In addition, CSU athletic programs are encouraged to establish a reserve fund. These funds shall be used to support future budget reductions. The decision making process of budget reductions involves a small window. Athletic administration scramble to make adjustments and coaches, staff and

student athletics are unable to prepare. The reserve fund provides an opportunity for athletic administrators to utilize monies set aside while establishing a well-thought plan.

As California State University, Bakersfield (CSUB) struggles to maintain the continuity of their intercollegiate athletic program within a competitive environment; it will be difficult to provide a balanced budget.

While one can approach the matter of an independent decision on the allocation of resources, it makes much more sense to develop a collective analysis to assist in developing priorities. This is particularly helpful since the nature of intercollegiate athletics is based on competition of specific sports conferences within geographical boundaries.

For example, the Big West Conference is made up of four CSU institutions, four UC institutions and 1 independent institution. They have established seven priority sports for enhanced funding. This allows those institutions to plan and collectively make financial decisions based on those priorities. It follows then that if only one institution featured a specific sport in that conference the allocation of resources to provide a competitive schedule outside the conference would be more challenging.

One can argue that as financial resources become limited and priority sports cannot be sustained at the competitive level within the conference, it forces many institutions to abandon broad based sports offerings. This is an uncomfortable and painful experience that creates long term scars for the institution.

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Date: 16 April 2009

To: Cindy Goodman, PPA Student

cc: Paul Newberry, IRB Chair
Thomas Martinez, Public Policy and Administration

From: Steve Suter, University Research Ethics Review Coordinator

Subject: Exemption from Full Review for Protocol 09-87

I am pleased to inform you that your request for exemption from full IRB/HSR review has been approved. You are authorized to carry out your research entitled, "**Research Related to Balancing Budgets in California State University Athletic Programs**". This research activity is exempt as defined in Paragraph 46.101 of Title 45, *Code of Federal Regulations* based on the following criteria: (1) Research involving the use of [standardized] educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures, or observation of public behavior, UNLESS: (a) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects, and (b) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation. Approval is based on your materials received on 4-14-09 and your clarifications in response to reviewer comments completed on 4-16-09.

The following person[s] only are authorized to interact with subjects in collecting data or obtaining informed consent:

Human Subjects Protection Training Certified:
Cindy Goodman [1-14-09]

Any signed consent documents must be retained for at least three years to enable research compliance monitoring and in case of concerns by research participants. Consent forms may be stored longer at the discretion of the principal investigator [PI]. The PI is responsible for retaining consent forms. If the PI is a student, the faculty supervisor is responsible for the consent forms. The consent forms must be stored so that only the authorized investigators or representatives of the IRB have access. At the end of the retention period the consent forms must be destroyed [not re-cycled or thrown away]. Please destroy all audio tapes after scoring.

This authorization will be valid until the end of March 2010. If more time is needed, you must request an extension from the Board. If you have any questions, or there are *any changes to your protocol, unanticipated problems, or adverse reactions*, please contact me immediately. Thank you.


Steve Suter, University Research Ethics Review Coordinator