

# **MSU- Bozeman Athletics Updated Financial Plan Prepared June 2004**

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## Executive Summary

In recent meetings of the Board of Regents President Gamble discussed the status of MSU-Bozeman's Athletics budget. He has explained that the department overall has met and, in some cases, exceeded the revenue targets set forth in our Athletics Budget. However, he noted that the department continues to struggle with expenditures related to the institution's core commitment to student academic success, NCAA recertification requirements, and unanticipated inflationary trends in medical expenses and other categories.

The President advised the Regents in March that Athletics continues to struggle with the expenditure side of the budget primarily due to a structural imbalance that needs to be addressed. The President also advised the Regents that he had asked a team to review all revenue and expenditure details of the Athletics budget and to provide recommended adjustments to the five-year plan, set forth in 2002, to erase what was then a \$1-million deficit. MSU officials knew there would be no quick way to reduce the Athletics deficit. This document provides a detailed report of the most recent review of that plan and subsequent recommendations.

This report was developed by the Athletic Department leadership (Vice President of Student Affairs, Director of Athletics, Associate Athletic Director for Student Services and the Athletic Budget & Fiscal Manager) in collaboration with the Vice President for Administration & Finance, and the Controller. President Gamble has reviewed and accepted the report.

To summarize, the operating deficit at the end of FY 03 was \$440,000. That deficit was due to a \$300,000 payment to retire a debt on the Stadium scoreboard and a \$140,000 shortfall in the department's operating budget (which appears to be the budget's structural imbalance for that year).

During the current fiscal year the FY03 structural imbalance was compounded by decisions that were made for the benefit of student athletes. Commitments were made for an additional \$187,000 in expenditures, during the NCAA recertification process, in order to enhance elements of equity and student welfare in the athletic program. The combination of the FY03 imbalance and these additional commitments has created a current structural imbalance of approximately \$320,000.

At the close of FY04 we anticipate that the deficit will not be increased, but neither will it be decreased. In recognition of the institution's conscious decision to increase expenditures to address student welfare issues, the remaining balance of an Athletics short term loan for sky box renovations (\$130,000) has been forgiven. In addition, Athletics received one-time gifts of \$120,000. Beginning in 2005, Athletics still must deal with a \$320,000 structural imbalance, which will grow each year because of the impact of inflation on certain costs.

A careful review of MSU's Athletics program has identified many positive attributes as well as some areas that need improvement. MSU is committed to achieving financial stability within Athletics for the benefit of everyone associated with program, not just within the university system but throughout the state as well.

Over the course of the next five years, by June 2009, Athletics will have generated the surplus needed to pay the University back the current \$440,000 fund balance deficit and build a contingency reserve in future years. Athletics' two main goals are to address the immediate structural problem by developing a balanced operating budget that includes a more realistic picture of potential expenses and to remove the cumulative negative fund balance over a five-year period. The plan is based upon cost-reduction measures as well as increases in Athletic Department revenues and University support and does not ask for additional student fees above nominal annual inflationary adjustments. This approach includes various assumptions regarding both cost inflation and revenue growth. These assumptions have been made to the best of our ability, knowing they are subject to factors we can neither foresee nor control.

## **Introduction**

Montana State University's primary mission is to educate its students. The Department of Intercollegiate Athletics offers the University an additional opportunity to develop young people academically, athletically and socially. At MSU, student-athletes continue to achieve on the playing fields and in the classroom at an even higher rate than the general student populace as measured by student grade point average and graduation rates. The student-athletes' academic and athletic success also has positively impacted the community. Student-athletes are active in outreach programs such as Reading in Schools, Big Brother/Big Sisters and Eagle Mount, and their success in competition provides a rallying point for community members and a source of pride for friends and graduates of Montana State.

Athletics is an integral part of the MSU campus. During the past two years, Athletics has partnered with the Library, MSU Bookstore and two local businesses to financially benefit the Library. This past year, Athletics was responsible for generating approximately \$2.3 million in University revenues from tuition, fees, room, board and administrative charges from student-athletes competing at MSU who pay all or part of their educational costs.

Despite MSU's athletic and educational successes, stabilizing the program's fiscal component has historically been a struggle. Several areas contribute to Athletics' chronic budget shortfalls, including tuition and fee increases, medical costs, changes in NCAA bylaws and debt obligations related to the football stadium. Reacting to unforeseen expenses is difficult, because at the beginning of each fiscal year at least 81% of Athletics' budget is committed to scholarships, salaries and debt service.

Following is an analysis of the previous Athletic fiscal plan, a discussion of challenges faced by the Athletics department, the current 5-year fiscal plan, and a discussion of the policies and procedures in place which will assist the department in achieving its plan.

## **Previous Plan Analysis**

In the spring of 2002 Athletic and University administrators implemented a budget plan designed to help resolve what was then a \$1,000,000 Athletics' deficit. While revenues increased as planned, certain cost increases were not anticipated. For example, the plan did not take into account fifth year and medical scholarship trends, NCAA re-certification and certain changes in the economy. Many of these changes could not have been predicted.

Areas in which actual costs varied significantly from expectations were salaries and wages, NCAA certification, medical costs, student success and scholarship costs. Although FY04 expenses exceeded the plan by \$440,000, Athletics' increased revenues and certain cost savings will result in no net operating loss.

	FY 01 Base Year Costs	Actual Costs			Variance Base Year vs FY 04
		FY 02	FY03	FY04	
Salaries- Payouts/Increases	\$ -	\$ 131,000	\$ 198,000	\$ 63,000	\$ 63,000
NCAA Recertification					
Budget & Compliance	-			38,000	38,000
Weight/Training Room Staff	-		52,000	52,000	52,000
Life Skills Coordinator &	-			10,000	10,000
Men's Ski Program	-			87,000	87,000
Ski Boosters Donation	-			(10,000)	(10,000)
Subtotal NCAA Recertification	-		52,000	177,000	177,000
Medical costs	66,000	163,000	148,000	150,000	84,000
Student success scholarships (cash outlay to University)					
Fifth Year	20,000	106,000	101,000	133,000	113,000
Medical	39,000	51,000	85,000	62,000	23,000
Total		\$ 451,000	\$584,000	\$ 585,000	\$ 440,000

### Salaries - Payouts/Increases

Salary and wage expense has varied from the plan for several reasons, primarily retirement and termination payouts and reorganization for greater efficiency and control.

### NCAA Recertification

During the NCAA recertification process, which was completed in October 2003, the Gender Equity committee felt that MSU student-athletes were subjected to safety and equity issues and recommended the addition of staff in key support areas and the addition of a men's skiing program. Plans for these additions were acknowledged as improvements to student-athlete welfare in the re-certification process.

\*PERSONNEL ADDITIONS: During the recertification process, concerns were identified for the safety and health of student-athletes due to personnel shortages in the weight room and training room.

\*At the NCAA Championships, competing teams are ranked by points scored by both men's and women's competitors, placing MSU's women-only skiers at a competitive disadvantage. The committee recommended adding Men's Skiing to eliminate the disadvantage; the addition of Men's skiing has given the women the opportunity to compete equally with other programs.

The total expense increase for the NCAA recertification/program enhancement was \$187,000. This included the addition of an NCAA compliance coordinator, assistant strength and

conditioning coach, assistant athletic trainer, salary and operating costs for men's skiing, and the implementation of a formal Life Skills program.

## **Medical Costs**

When the original plan was developed, medical costs were averaging about \$65,000 per year for the previous three years. The first year of the plan, costs were allocated at \$66,000 but actual costs totaled \$163,000. FY04 projections include medical costs totaling \$150,000, which factors in rising diagnostic and treatment costs, along with decreased pre-existing insurance support of student-athletes (see discussion of challenges, medical).

## **Scholarship costs- general**

Scholarship costs have risen 24% over the past two years, and will rise an additional 12.5% during FY05. University fee waivers do not completely cover the cost of a scholarship, leaving an approximate cash outlay of \$1,067,000 that is paid by Athletics to the University for currently competing student-athletes. Additional scholarships to non-competing students are funded as part of the Student Success philosophy.

## **Student Success**

Student success is multi-faceted and includes the provision of academic support to all athletes; fifth-year and summer school scholarships to those who have used all four years of eligibility; and medical scholarships for those no longer able to compete. Expenditures in these areas have risen 21% in the previous three years. The University and Athletics are working to retain and increase the graduation rates of all students from Montana State University. In addition to being consistent with the University's focus on student success, this philosophy is also a step ahead of the NCAA's recent focus on graduation rates.

## **Travel Costs**

Travel costs have increased for a variety of reasons. Inflation and policy changes by the airline industry have changed dramatically since the development of the original deficit-reduction plan. With recently-imposed travel restrictions, the cost of changing an itinerary has escalated. The ability to change names on advance-purchase tickets no longer exists, contributing to increased cancellation fees. During this period, Athletics continues to monitor its travel party sizes in an effort to manage travel costs.

## **Discussion of Challenges**

### **Academic success of student-athletes**

Our primary goal is the education and academic success of student-athletes. Athletics offers students the opportunity to receive a quality education while competing in their sport. Student-athletes have five years in which to complete four years of eligibility. If they use their four years of eligibility and are in good academic standing but have not graduated, we choose to pay for their fifth year of school. This same philosophy applies to scholarships for student-athletes who suffer career-ending injuries. MSU Athletics funds those scholarships at the same level for up to five years. This policy speaks directly to the University's student-retention efforts.

MSU Athletics has a strong commitment to its student-athletes, particularly in their matriculation toward a degree. This commitment helps MSU to be at the forefront of the NCAA's shifting focus toward graduation rates and retention of student-athletes, as demonstrated through recently-enacted NCAA bylaw changes. The NCAA may now reduce recruiting dollars and/or scholarships at an institution that does not meet established baseline graduation and retention rates.

### **Scholarship costs**

General increases in tuition and housing rates affect Athletics annually. While the University has the ability to increase tuition and fees to help offset cost increases and declining state support, the burden of such increases are directly borne by Athletics.

### **Medical costs**

Medical costs across the nation are increasing at rates significantly higher than the average cost of living and these increased expenses directly affect Athletics. The University provides major medical insurance to students who do not have private insurance, and also provides access to the on-campus Student Health Service for general medical care and minor injuries. Athletic related injuries, though, are not covered by the major medical plan at MSU or many other universities. A trend noted at MSU and across the nation is that more and more students arrive at MSU without private medical insurance. Therefore, a third-party carrier is not available to cover costs incurred for major athletic injuries.

In addition to paying for the major medical costs of more athletes, medical procedures themselves are more expensive than in the past. Many physicians are using better, more technologically advanced but expensive, diagnostic techniques, particularly ordering MRIs rather than X-rays. These two factors contribute greatly to the department's unpredictable rise in medical costs.

### **Debt Service**

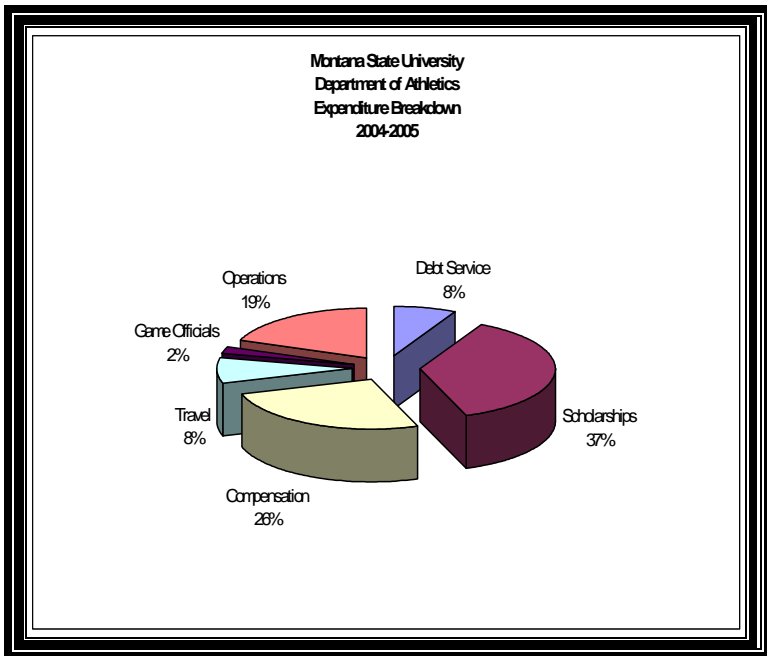
The Department of Athletics' budget has not been in balance since the football stadium debt was incurred. Originally, revenues generated through the sale of skybox suites were projected to pay the debt service. The reality, however, is that a gap of about 50% exists between original revenue projections and actual debt service. The remaining revenues needed to cover the debt service are generated from football ticket sales. Due to this re-direction of revenues, a portion of ticket revenues cannot be used for operations as intended, and is not available to fund ongoing departmental expenses.

### **General**

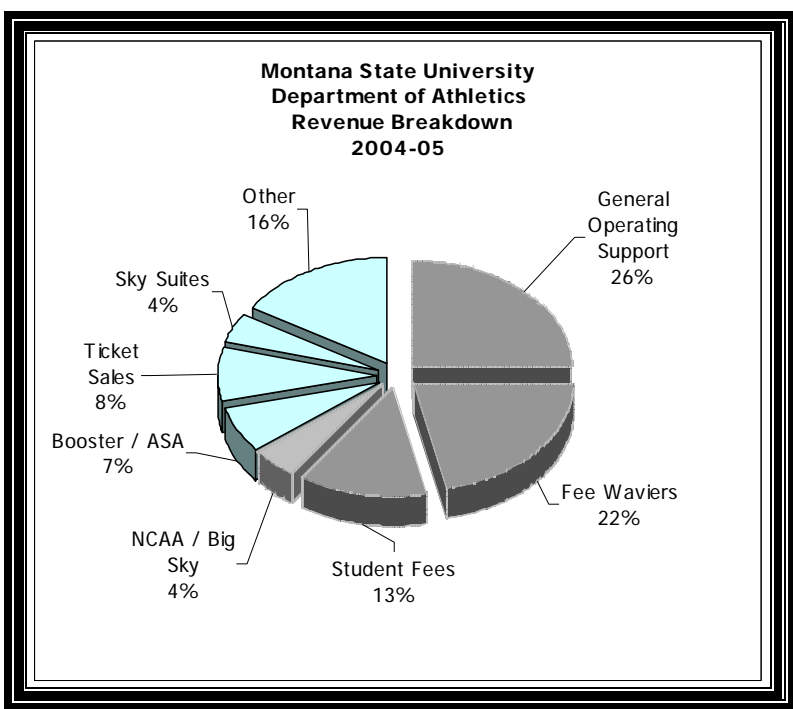
Other items that warrant discussion are Title IX / Gender Equity, travel cost increases, athletic competitiveness and lack of mid-year budget flexibility.

Gender Equity issues are mandated by Title IX laws, and are currently addressed at MSU. Due to the work of the MSU Equity committee and Athletics, MSU continues to maintain standards that keep athletic participation levels within 2% of the University's gender mix. That rate is in the top quartile of Universities nationally.

Travel costs continue to increase each year with no prediction of future relief. Athletic competitiveness in many ways is tied to travel costs. Athletic success carries a price as well because team travel for post-season competition is not always covered by the NCAA. The department maintains a regional scheduling focus.



Each year, a minimum of 81% of the department's expenses are committed at the commencement of the fiscal year. This includes scholarships, compensation, and debt service. In addition, team travel and officials' fees are pre-determined when game schedules are set in the spring. Flexibility in adjusting expenses in response to revenue fluctuations, therefore, is minimal.



Approximately 65% of the department's revenues are fixed, including 4% obtained from the NCAA and Big Sky Conference. That revenue is dependent on adhering to NCAA sport participation, level of scholarships provided, and other standards. The remaining 35% of revenues is sensitive to the Bobcats' athletic success and other factors, and is subject to fluctuation.



## Financial Plan

The MSU Athletics budget has several stress points. The primary stress points are medical costs; fifth year, medical, and summer school scholarships; and debt service. Two primary goals emerged during the development of this plan: 1) Address the immediate structural problem and 2) Remove the negative fund balance over a five year period. This plan was developed with a balanced approach of cost reduction measures, increased Athletic department revenues and increased University support. To identify the scope of the department's structural fiscal imbalance, the Athletics staff reviewed prior years' operations in comparison with the 2002 plan.

<b>Structural Imbalance Detail</b>	
Scholarships-Fifth Year	\$(113,000)
Scholarships-Medical	( 23,000)
Medical Costs	( 84,000)
NCAA Recertification	(187,000)
Increased Corporate Revenue	55,000
Increased NCAA/BSC Distributions	22,000
Ski Boosters Donation	10,000
Total Recurring Deficit	\$(320,000)

As with all plans, assumptions were used to develop projections. Certain assumptions include ticket sales levels for football, men's basketball, women's basketball and volleyball; increased giving to the scholarship association; increased corporate giving; staggered ticket price increases; changes in the giving and benefit levels; and increased University support. Student-athlete success in the classroom and team success on the playing fields can have a positive or negative effect on this plan, the effects of which cannot be precisely predicted.

## Key Assumptions

<b>Revenue Enhancements &amp; Inflationary Increases</b>					
	2004-05	2005-06	2006-07	2007-08	2008-09
Fee Waivers	12.5%	10%	10%	10%	10%
Student Athletic Fee	\$7.50/Sem	\$7.50/Sem	3%/ Year	3%/ Year	3%/ Year
Corporate/Marketing	5%	5%	5%	5%	5%
ASA/Booster	15%	12.5%	12.5%	12.5%	12.5%
Medical Costs		\$151,000	\$157,000	\$163,000	\$170,000

<b>Expense &amp; Inflationary Increases</b>					
	2004-05	2005-06	2006-07	2007-08	2008-09
Fee Waivers	12.5%	10%	10%	10%	10%
Cash Scholarships	5%	5%	5%	5%	5%
Travel	6%	6%	6%	6%	6%
Utilities	5%	5%	5%	5%	5%
Other Expenses	2%	2%	2%	2%	2%

Salaries	Most salaries are budgeted in the General Operating Account & increases are funded, as are most other educational and general salaries.
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To begin the process of developing a revised financial plan, Athletics department staff examined prior years' financial data. After removing the effects of what were considered to be one-time revenues or expenses, a recurring structural imbalance of approximately \$320,000 was identified. At that point, expenditure cuts were made where possible to balance the annual budget while maintaining program integrity and the high standards set by MSU, NCAA Division I and the Big Sky Conference. Projections for future years emerged based on historical and projected inflationary cost increases and on projected and targeted revenue enhancements. A summary of the expense reductions and revenue enhancements as compared with FY04 levels is shown below.

MSU Bozeman Athletics Financial Plan Summary		Fiscal Year Ending June 30				
		2005	2006	2007	2008	2009
1	<b>Recurring Deficit</b>	\$ (320,000)	\$ (320,000)	\$ (320,000)	\$ (320,000)	\$ (320,000)
2	<b>Inflation &amp; Other Adjustments</b>					
3	Cash Scholarship Costs Increase	(66,000)	(223,000)	(288,000)	(356,000)	(416,000)
4	Team Travel Increase	(48,000)	(85,000)	(130,000)	(178,000)	(229,000)
5	Debt Service Changes	(52,000)	(52,000)	(52,000)	(6,000)	(6,000)
6	Cat-Griz Location Effect	(200,000)	-	(200,000)	-	(200,000)
7	Inflationary/Other Exp Fluctuation	(20,000)	(91,800)	(171,800)	(251,800)	(331,800)
8	<b>Adjusted Deficit</b>	<b>(706,000)</b>	<b>(771,800)</b>	<b>(1,161,800)</b>	<b>(1,111,800)</b>	<b>(1,502,800)</b>
9	<b>Expense Reductions</b>					
10	* Permanent Cuts – Personnel	42,000	47,000	47,000	47,000	47,000
11	Permanent Cuts – Operations	37,000	37,000	37,000	37,000	37,000
12	One-time Cuts- Personnel	24,000	-	-	-	-
13	One-time Cuts-Operations	43,000	-	-	-	-
14	Other Savings Reflected in Detail	26,500	4,500	57,600	96,500	162,300
15	Re-allocate Net Ticket Office Costs	29,500	29,500	29,500	29,500	29,500
16	<b>Total expense reductions</b>	<b>202,000</b>	<b>118,000</b>	<b>171,100</b>	<b>210,000</b>	<b>275,800</b>
17	<b>Revenue Enhancements</b>					
18	One-time Matching Gift	150,000	-	-	-	-
19	University Funding of Medical Costs	-	151,000	157,000	163,000	170,000
20	Student Activity Fee Increase	152,000	307,000	357,000	406,000	452,000
21	Increased Corporate Sponsorships	28,000	57,000	88,000	120,000	153,000
22	Increased ASA-Booster Support	79,000	155,000	240,500	336,600	444,800
23	Increased Football Ticket Revenue	20,000	20,000	40,000	40,000	65,000
24	Increased Skysuite Revenue	75,000	75,000	75,000	75,000	75,000
25	<b>Total revenue enhancements</b>	<b>504,000</b>	<b>765,000</b>	<b>957,500</b>	<b>1,140,600</b>	<b>1,359,800</b>
26	<b>Projected (Deficit)/Surplus</b>	<b>-</b>	<b>111,200</b>	<b>(33,200)</b>	<b>238,800</b>	<b>132,800</b>
27	<b>Beginning Fund Balance</b>	<b>(440,000)</b>	<b>(440,000)</b>	<b>(328,800)</b>	<b>(362,000)</b>	<b>(123,200)</b>
28	<b>Ending Fund Balance</b>	<b>\$ (440,000)</b>	<b>\$ (328,800)</b>	<b>\$ (362,000)</b>	<b>\$ (123,200)</b>	<b>\$ 9,600</b>

\*In addition to permanent cuts, a position that was to have been added during FY05 was eliminated.

To achieve a balanced budget and repay its deficit, the Athletics department will need to make some very difficult decisions. As illustrated on Line 14, savings must be realized each year because inflationary cost increases are expected to rise beyond the level of projected revenue

enhancements. Based on departmental needs, appropriate expense reductions or revenue enhancements will be determined. Expense reductions will likely be in the area of travel, supplies and equipment.

Now that the plan has been formulated, the following action items remain:

1. Communicate the plan to the coaches and staff;
2. Continue to monitor student-athlete welfare throughout the life of the plan;
3. Control costs as much as possible;
4. Communicate any variances from the plan through the University.

See page 17 for detailed trend and projected financial statements.

Controlling costs while remaining academically and athletically competitive is challenging. Efforts are department-wide, with coaches and administrators alike continuously remaining cost-conscious. In an effort to ease the strain that Athletics is currently facing, the President and Athletic Director continue to develop fund raising opportunities to assist in the debt service required to fund MSU's athletic facilities.

## **Policies and Procedures**

Policies and procedures governing the operations of MSU's Athletics department were reviewed and found to be extremely thorough. The only changes instituted as a result of this review were to include the Vice President for Administration and Finance and the Controller in existing processes and to add a bi-monthly budget review with those individuals as well.

### **1. Organization and Staffing**

At Montana State University the Director of Athletics reports to the Vice President of Student Affairs, who reports directly to the President of the University. The Athletic Budget and Fiscal Manager reports to the Director of Athletics. One full-time person is devoted to monitoring Athletics' finances, in addition to a part-time clerk.

### **2. Budgeting & Accounting**

A working group consisting of the Athletic department leadership (Vice President of Student Affairs, Director of Athletics, Associate Athletic Director for Student Services and the Athletic Budget and Fiscal Manager) in collaboration with the Vice president for Administration and Finance and Controller have assisted with the development of the Athletics budget.

MSU Athletics' budget process involves the budget administrators (coaches and staff), and senior Athletic Department staff. When budgets are developed, budget administrators are asked for input regarding the upcoming year for areas they can control (e.g., recruiting, travel, equipment). Each month, the Athletic Budget and Fiscal Manager reviews budgets with each head coach and each week tracks key indicators such as advance ticket sales.

Athletics adheres to all University and State accounting and purchasing procedures. Purchasing controls include strict oversight of University purchasing cards. Athletics has four

of these cards that are secure in the safe and must be checked out by the Athletic Budget and Fiscal Manager prior to use.

Annual budget reports are prepared for the OCHE / Board of Regents and the MSU University Planning and Budget Committee.

### **3. Audits**

Athletics periodically undergoes audits from the University's Internal Audit department and annual NCAA mandated audits. MSU Athletics through the years has received and implemented various auditors' suggestions to enhance internal controls and accounting procedures.

### **4. Financial Management Issues**

The Athletics staff and University administration will meet bi-monthly to review revenue and expense targets, and throughout the year, the Vice President for Administration & Finance and the Controller will receive copies of the Athletics' weekly report of leading indicators, such as revenues for tickets, skyboxes, boosters, and corporate agreements.

From the financial reports prepared by the Athletic Budget & Fiscal Manager, the following areas will be addressed:

- Revenues that are trending below target
- Expenses that are trending above target

Questions to be asked and answered include:

- What caused the variance?
- Can corrections be made at this point in the fiscal year?
- When can corrections be implemented?

If the current annual budget must be revised either upward or downward, then the time of year will often dictate whether this can be accomplished during the current fiscal year or an adjustment is required in the next budget cycle. If revenues are above target, the department will generally maintain spending at budgeted levels, unless there is a direct expense that must be incurred to generate the additional revenues (such as additional revenues gained through an increased number of events).

Staff will also consider the implications of unexpected expenses or unfunded mandates such as unusual repairs and maintenance, and NCAA By-law changes.

## **CONCLUSION**

Montana State University is committed to the welfare and success of its student-athletes. The Department also takes seriously its responsibility to the University and the people of Montana to maintain fiscal accountability. Athletic Department administrators, staff members, and coaches will redouble their efforts to work in a financially responsible manner while maintaining the highest level of athletic and academic achievement possible. MSU Athletics

will work diligently toward University and departmental goals within guidelines proscribed by the University and the State Board of Regents.

## Appendix

MSU Athletics follows the same budgeting/ finance policy and procedures as the rest of the campus. It also adheres to the same budgetary controls and oversight. This appendix, excerpted from the MSU Athletics Policy and Procedures Manual, demonstrates this financial consistency with the rest of the university.

### **From the Athletics' policy and procedure manual:**

Business Operations for the Department of Intercollegiate Athletics at Montana State University are managed in accordance with the University's budgetary policies and procedures. The intercollegiate athletics program and budget plans are developed in accordance with the university's established planning and budget processes. Included below is information regarding the formation of the budget and the budget planning cycle. It also addresses such issues as: salaries and wages; custody and deposit of University funds; invoicing and accounting; donations; state property law; inventory control procedures; travel information; equipment purchases, and development-related accounts.

### **Budget: Formulation**

All departments within Montana State University submit annual budget requests which, once approved, are incorporated into the University's annual operating budget. This budget becomes the basis of authority for the Business Operations of each individual department within the University during the fiscal year, which begins July 1. During each fiscal year, monthly reviews of athletic revenue and expenditure figures are compared with the budget to ensure the planned outcome. If the review indicates a revenue shortfall for the fiscal year, earnest attempts are undertaken to recover the imbalance condition by making adjustments in expenditures and/or revenues during the same fiscal year.

Budget priorities for the Department of Intercollegiate Athletics are established each year by the Director of Athletics and the administrative staff who set overall Departmental goals (e.g., salary improvements, enhancement of student support services, facility improvements, etc.). The allocation of funds is justified for all programs based on the following criteria:

- The objectives of the intercollegiate athletics program, as defined in its mission statement and philosophy;
- The short and long-term goals for departmental operations;
- The activities and programs needed to achieve these goals, to including facilities and capital equipment improvements; and
- An analysis of factors and situations which may affect planned activities (e.g., competition schedules, G&A costs, program expansion, salary competitiveness, etc.).

The Athletic Budget & Fiscal Manager coordinates budget formulation activities for the Department of Intercollegiate Athletics. The budget is prepared through participatory budgeting (i.e., a method by which all levels of management responsible for individual cost center performance are involved). Historical cost center budget information, as adjusted for anticipated changes in activity levels, is utilized to determine line item projections.

#### Budget Planning Cycle

The departmental budget planning cycle begins in November of each year, with the overall University budget finalized by mid-May. Staff members with cost-center responsibilities (e.g., head coaches, program directors, department heads) must complete Team Travel, Coaches Recruiting Travel and Recruits on Campus projection forms. Historical performance data will be disseminated by the Athletic Budget & Fiscal Manager. All coaches and support staff are asked to project the actual cost of the operations necessary to perform the required function in their sport or administrative area. Priority is given to salaries (as determined by University guidelines), scholarships, team and recruiting travel, and other required operating accounts. Capital needs are funded according to projected reserves only after other needs are addressed.

Preliminary budget requests, including support documentation detailing travel, equipment and capital expenses, are submitted by required deadlines to the Athletic Budget & Fiscal Manager for review who then combines individual budget requests into a total Department of Intercollegiate Athletics proposed balanced budget. The Director of Athletics and Athletic Budget & Fiscal Manager review the proposed budget and make necessary adjustments as dictated by departmental needs, ensuring compliance with University guidelines.

#### Revenue Estimates

Revenue projections developed annually by the Athletic Budget & Fiscal Manager with the assistance of the Director of Athletics and the senior management of the Department of Intercollegiate Athletics are used as the basis for overall budget preparation.

The Athletic Budget & Fiscal Manager prepares the revenue portion of the department's formulated budget based on actual data (e.g., contract amounts) and historical data, figuring variances due to competition scheduling, projected ticket and corporate revenue, etc. In the event that actual income falls short of budget projections, budget revisions will be made.

#### Budget Approval

With the approval of the Director of Athletics, the final Department of Intercollegiate Athletics' budget is submitted to the Vice President for Student Affairs with review by the budget working group. Following final approval, staff members with budgetary responsibilities within the Department of Intercollegiate Athletics (Budget Administrators) receive copies of their approved budget. The completed University budget is then submitted to the University President for final review, with the Board of Regents approving the overall University fiscal year budget.

## **Budget: Accountability, Control and Revision**

Pursuant to the policies of the Board of Regents, the President is ultimately responsible for the administration of athletic funds. However, the Director of Athletics has the authority to review and approve all departmental expenditures and is accountable for the same. The Director of Athletics may delegate such authority for approving certain types of expenditures to the Athletic Budget & Fiscal Manager.

### Accountability

The University requires that approved budgets not be exceeded. Therefore, it is imperative that budget administrators operate within their budget guidelines. Staff members are held accountable for violations of this policy.

Budget Administrators are held accountable for the depletion of budget accounts, substantiating unbudgeted expenditures and/or justifying the use of private funds to cover budget overruns. However, the Director of Athletics, in consultation with the Athletic Budget & Fiscal Manager, is solely responsible for the approval of unbudgeted expenditures.

### Budgetary Control

The oversight and approval of funds expenditures is a central component of the Department's budgetary control system. Prior to committing the Department to a financial obligation in excess of the established budget, a staff member must have the request approved. If prior approval is not obtained, the individual staff member may be held personally responsible for the resulting charges. Budget Administrators have the authority to initiate purchases within their established budgets up to \$500. Purchases in excess \$500 are required to have a purchase order obtained from the Athletic Budget & Fiscal Manager.

The Athletic Budget & Fiscal Manager, reviews all purchase orders and analyzes expenditure levels to ensure that budget allocations are not exceeded.

It is recognized that there are areas within most budgets where staff members have little or no control (e.g., physical plant operating costs, etc.); however, in the areas that can be controlled, expenditures should be carefully monitored.

Once a purchase request is approved, the request is processed by the Athletic Business Office according to established purchasing procedures.

### Monthly Budget Reports

The monthly budget report is a tool which has been developed to assist managerial staff with the efficient fiscal administration of their budget accounts. A monthly budget report reflecting a comparison of budget to actual expenditures is prepared by the Athletic Budget & Fiscal Manager. Meetings are scheduled monthly between the Athletic Budget & Fiscal Manager and Budget Administrators to compare actual expenditures and revenues to approved budgets



Copies of the reports may also be distributed to Budget Administrators on request from the Athletic Budget & Fiscal Manager. The Athletic Budget & Fiscal Manager is available to personally review these reports with staff and members.

### Budget Revisions

Requests for major revisions to the Department's approved budget must be submitted with written justification to the Athletic Budget & Fiscal Manager, who ensures that such revisions are in compliance with University guidelines. The request is then submitted to the Director of Athletics for approval. Extreme caution must be taken to ensure that the budget's bottom line continues to remain in balance.

### **Booster and Foundation Funds**

Approval of Athletic expenditures submitted to the Boosters for either direct payment or reimbursement to Athletics Booster is handled in the following way.

All expenditures are reviewed and signed by the booster club treasurer and the Athletic Director. For institutional control all booster club chapters have to have authorization from the Athletic Director for any expenditure greater than \$300.

Foundation expenditures require the approval of the Athletic Director, Vice President for Student Affairs, and the Vice President for Administration and Finance.

**Organizational chart attached as separate file.**

MONTANA UNIVERSITY SYSTEM  
MONTANA STATE UNIVERSITY - BOZEMAN  
INTERCOLLEGIATE ATHLETICS

STATEMENT OF REVENUE AND EXPENDITURES

Line #	Actual 2001	Actual 2002	Actual 2003	Projected 2004	Plan 2005	Plan 2006	Plan 2007	Plan 2008	Plan 2009
<b>Operating Revenue:</b>									
1 State Appropriated Fee Waivers	1,104,050	1,232,211	1,549,316	1,706,321	1,853,148	2,038,463	2,242,309	2,466,540	2,713,194
2 State Appropriated Other	1,866,550	2,478,597	2,558,189	2,385,817	2,560,623	2,568,926	2,574,983	2,581,282	2,587,834
3 Ticket Sales & Ticket Surcharge	664,524	840,727	667,078	890,558	743,050	958,924	789,172	1,039,420	888,116
4 Skysuites	197,127	247,914	276,040	333,274	381,500	381,500	381,500	381,500	381,500
4 Student Activity Fee	583,500	616,301	820,400	959,500	1,111,934	1,264,024	1,314,704	1,363,489	1,409,168
5 Other Revenue	503,878	779,206	692,081	791,598	708,857	546,237	527,236	644,747	682,236
6 NCAA Distributions	244,222	260,899	361,598	408,688	359,181	359,181	359,181	359,181	359,181
7 Corporate Sponsorships	341,510	415,461	520,206	553,398	581,068	610,121	640,627	672,659	706,292
8 Trade Outs	290,902	390,269	269,969	217,650	270,000	270,000	270,000	270,000	270,000
9 Designated Scholarships-ASA	361,187	384,671	435,900	528,636	607,999	684,000	769,500	865,600	973,800
10 Scholarships-Foundation	67,216	80,321	75,374	16,388	5,000	-	-	-	10,000
11 Other Revenues - List:Camps	-	-	292,387	280,000	291,000	291,000	291,000	291,000	291,000
12 Total Revenues	6,224,666	7,726,577	8,518,537	9,071,828	9,473,360	9,972,377	10,160,213	10,935,418	11,272,320
<b>Operating Expenditures:</b>									
13 Coaches Salaries	1,090,112	1,084,681	1,202,193	1,175,728	1,149,760	1,169,975	1,169,975	1,169,975	1,169,975
14 Other Salaries	1,034,002	1,003,440	1,064,204	1,103,465	1,067,124	1,065,980	1,065,980	1,065,980	1,065,980
15 Fringe Benefits	313,921	390,476	291,792	296,295	288,195	290,674	290,674	290,674	290,674
16 Athletic Camp Wages			80,157	75,000	78,000	78,000	78,000	78,000	78,000
17 Athletic Camp benefits			10,702	9,750	10,000	10,000	10,000	10,000	10,000
18 Athletic Supplies & Equipment	292,761	318,328	375,100	319,335	257,230	258,000	259,000	259,000	252,000
19 Travel	688,312	508,466	675,126	745,134	720,664	758,500	777,463	796,899	809,000
20 Recruiting	91,767	254,309	260,559	285,816	277,749	281,636	282,755	289,824	297,070
21 Training Table	91,132	93,904	103,559	105,400	89,170	100,958	106,006	111,306	116,872
22 Home Game/Meet Expense	54,680	152,127	160,224	167,303	196,252	201,158	206,187	211,342	236,703
23 Maintenance and General Admin	1,042,622	1,103,568	1,044,173	711,830	659,326	678,775	687,530	697,779	712,825
24 Student-Athlete Medical Costs	66,398	162,618	147,804	148,000	145,600	151,424	157,481	163,780	170,331
25 Debt Service	430,000	480,000	530,000	623,660	676,600	676,600	676,600	630,000	630,000
26 Trade Outs				217,650	270,000	270,000	270,000	270,000	270,000
27 Athletic Camp Operations			173,795	315,250	203,000	203,000	203,000	203,000	203,000
28 Game Guarantees	134,897	207,194	251,825	196,273	187,170	216,480	216,480	226,480	236,480
29 Insurance	85,210	38,021	-	-	-	-	-	-	-
30 Financial Aid	1,972,481	2,163,953	2,412,142	2,773,842	3,197,521	3,450,017	3,736,282	4,222,578	4,590,541
31 Total Expenditures	7,388,294	7,961,085	8,783,355	9,269,731	9,473,361	9,861,176	10,193,413	10,696,618	11,139,451
32 Transfers In		1,380,849		200,000					
33 Transfers Out			177,279						
34 Excess (Deficiency) of Revenue over Expenditures for the Year	(1,163,629)	1,146,341	(442,097)	2,097	(0)	111,201	(33,200)	238,800	132,869
35 PRIOR YEAR FUND BALANCE				(442,097)	(440,000)	(440,000)	(328,801)	(362,000)	(123,200)
36 TOTAL FUND BALANCE				(440,000)	(440,000)	(328,801)	(362,000)	(123,200)	9,669