Published on Sports Management Resources

The Budgeting Process: Three ...

Connee Zotos, Ph.D.

Senior Associate

When done right, annual budgeting is a time consuming process that significantly impacts the strategic direction of the athletics department. A well conceived budget serves as a dynamic planning tool that matches resources with objectives and priorities. It also provides a basis for controlling department activities and measures the efficient or inefficient use of department funds. As a consultant, I have noticed three common practices that have compromised the benefits that can be derived from efficient budgeting procedures.

1. Budget Construction and Viewing Privileges for a Select Few: Effective budgeting takes time and collaboration. It should involve all primary stakeholders, and should be as transparent as possible. While it is not advisable, many athletics directors restrict budget creation and oversight to a selected group of staff members. For example, in the traditional tiered funding model, it is very common for coaches of Tier 1 sports to construct their own budgets, have full viewing access, and be provided with modification privileges while other coaches may have limited input or access into their budgets. This practice is inefficient, creates a higher chance of reactive budgeting and overspending, and is directly in conflict with the basic principle of transparency. Annual budget exercises are excellent opportunities to

clearly articulate the athletics department funding model. It promotes efficient and effective management strategies and serves to inform the entire staff of how and where their unit fits into the overall department mission.

2. Percentage Increases Instead of Zero-Based Budgeting: Many athletics directors make the mistake of adding an annual percentage increase to each unit manager's operating budget. Athletics department budgets are far too complex and include too many variations from year to year to rely on such a simplistic method. For example, in any given year there may be changes in several variables such as team transportation costs due to home and away scheduling, recruiting needs based on the number of athletes graduating, professional development expenses due to proximity of conferences, equipment or facility expenses due to sport rule changes, etc.. Therefore it is essential that coaches and other budget managers utilize the zero-based budgeting approach for annual budget construction. Without doing so, some operating budgets will be over-funded and some will be under-funded. For those budgets that are over-funded, money that could have been used for other department needs may be absorbed back into the institutional budget or the unit manager may spend money on non-essential purchases to deplete the excess before the end of the fiscal year. For the budgets that are under-funded, unit managers may have to tap into fund raising accounts to cover the shortfall. Coaches, in particular, may push back against a reduction in their operating budget in any given year due to fear that the money will be lost for future years when their budget spikes due to increased travel, recruiting, etc. It must be communicated that the extra money from any given year is not lost. It is in the Athletics Director's contingency fund or provided as a "one time" grant to another unit manager's budget based on specific needs for that fiscal year. Even if the school district or university announces that there will be no change in the budget, an annual zero-based budgeting approach is valuable and will provide better information and efficiency than providing any type of "flat" or across-the-board budget allocation.

3. Not Requiring Budgets to Reflect Specific Goals and Objectives: Evaluating the current budget annually and constructing the following year's budget in a detailed and collaborative way is a great tool for reinforcing program-by-program goal alignment and goal attainment. Some athletics directors require zero-based budgeting but do not ask how the requested funds specifically relate to goals and objectives in the department's strategic plan. This is an important part of effective budgeting. Each budget manager should be able to clearly articulate objectives and goals for their specific program. For example, the sports medicine director may have a goal of providing pre-participation physicals to all athletes free of cost. When constructing the budget document, each program manager should include the measurable strategic plan objectives for his/her program and reflect on whether these goals were met. If certain goals were unmet that have budget implications, a clear explanation should be provided. The analysis can include questions such as:

- Were there other unanticipated expenses that prevented this objective from being met?
- Will these unanticipated expenses be annual expenses going forward?
- Is this program objective still realistic or will additional funds be required to meet this goal?

This process will work for team-by-team goals as well. For example, when evaluating win-loss records, the analysis may include the following questions:

- Did a team's win-loss record meet expectations?
- If not, are there scheduling changes that have to be made?
- Do these changes include travel expenses that will have an impact on next year's budget?

Athletics Directors and other budget managers should always remember that budgeting in an effective and strategic way serves as an evaluation of the past, a reflection of the present, and a projection for the future. The information garnered and shared during the process is invaluable.

Source URL: https://sportsmanagementresources.com/index.php/print/pdf/node/115