

CEOs IN HEADPHONES -- POSTSCRIPT

by

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College coaches' contracts for public institutions, unless limited by some state law exception, are open to the public for review. By making an open records request, universities will provide copies of coaches' contracts and any amendments thereto.

From a review of the coach's contract and what is reported by the coach to the university with respect to athletically related income, plus a determination as to whether bonuses prescribed were achieved, one could come to a fairly good understanding of what a coach's total compensation package approximates.

USA Today does an excellent job in attempting to compare compensation packages for coaches. USA Today collects and analyzes documents obtained through public record requests each year to calculate compensation packages for 124 head coaches and nearly 1,000 assistant coaches in college sports' top level.¹ "USA Today Sports bases compensation totals for public-school employees on current-year or current-season figures found in contracts, NCAA-mandated outside-income forms and other documents it obtains through open-record requests."² However, USA Today Sports compilations do not include the value of "standard employee benefits or potentially taxable perks like tickets, country club memberships, or family travel."³

¹ Steve Berkowitz et al., *Coach pay and bonuses in the NCAA's Bowl Subdivision*, USATODAY.com (2013), <http://usatoday30.usatoday.com/sports/graphics/datatables/2012/NCAAFB-Coach-Salaries/coaches-salaries-2012.html>.

² Steve Berkowitz, *Duke's Krzyzewski credited with \$9.7 million in pay for 2011*, USATODAY.COM (May 13, 2013), <http://www.usatoday.com/story/sports/ncaab/2013/05/15/mike-krzyzewski-coach-k-duke-salary-pay-2011/2156231/>.

³ *Id.*

“In addition, USA Today Sports reports the maximum amount of bonuses that potentially can be earned during the applicable year or season. However, depending on the terms of the contract, the figures for total pay that USA Today Sports reports do include the amounts of certain forms of deferred compensation based on when they are accrued rather than paid.”⁴

“Because private schools decline to make their contracts [and compensation arrangements publicly] available, USA Today Sports cannot make determinations about whether to include certain forms of deferred compensation. So for private schools, USA Today Sports’ totals are based upon totals reported in the schools’ federal tax records [i.e. Form 990] -- and those totals include the value of all taxable benefits and the amounts of bonuses actually paid (private schools are not required to disclose their employees’ NCAA-mandated athletically related outside income forms).”⁵

Because most universities are organized as non-profit, tax-exempt organizations, “they must annually file a tax return that includes information about the pay of their most highly compensated employees. Although the returns mostly cover fiscal years that involve parts of two calendar years, the IRS requires that the compensation reporting cover the most recently completed calendar year.”⁶

. The complex nature of these tax returns normally force colleges and universities to file extensions and thus create distinct gaps between the time period covered by their most recent return and the date it is actually filed.⁷

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

On May 13, 2013, USA Today published an article entitled "Duke's Krzyzewski credited with \$9.7 million in pay for 2011." The Duke University income tax return was filed in May 2013 which covered the tax year from July 1, 2011 through June 30, 2012, making 2011 the most recently completed calendar year, and thus the one used for reporting Krzyzewski's compensation. The income tax return reports Krzyzewski's compensation as follows:

- \$1,978,401 in base pay, nearly the same as what he received in 201.
- \$5,642,574 in bonus and incentive compensation, nearly \$1.9 million more than in 2010
- \$1,982,097 in retirement and other deferred compensation, a little over \$500,000 more than in 2010. (This is money that Krzyzewski accrued, but was not paid, in 2011; he could receive it in a future year.)
- \$59,616 in other reportable compensation such as family travel
- \$19,344 in non-taxable benefits.⁸

Of Krzyzewski's \$9,682,032 total 2011 income, \$775,000 was reported as deferred compensation on a prior year's tax return or returns.⁹ "Krzyzewski earned more than \$7.2 million in the 2010 calendar year, and just less than \$4.7 million in 2009."¹⁰

"His [approximately] \$9.7 million total [compensation] from 2011 is significantly more than what [North Carolina] State paid its athletic director (Debbie Yow), men's basketball coach (Mark Gottfried) and football coach (Tom O'Brien) in that year combined. The three made a total of \$3.6 million -- \$1,877,950 to O'Brien, \$1,262,500 for Gottfried, and \$454,200 for Yow."¹¹

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ Laura Keeley, *Duke's Coach K made almost \$9.7M in 2011, record shows*, NEWSOBSERVER.COM (May 15, 2013), <http://www.newsobserver.com/2013/05/15/2895703/dukes-coach-k-made-almost-97m.html#storylink=cpy>.

“Krzyzewski's compensation is also significantly more than that of Duke's athletic director Kevin White (\$934,015) and football coach David Cutcliffe (\$1,787,952).”¹²

Krzyzewski's compensation, if properly reported, far outdistances other college coaches' compensation, but more closely resembles that of former Lakers' coach Phil Jackson who made \$12 million annually at his peak with the Los Angeles Lakers¹³, and Boston Celtics' coach, Doc Rivers, who was the highest paid NBA coach at \$7 million for the 2011-12 season, according to Forbes magazine.¹⁴

It is difficult to compare compensation packages of public versus private universities because of the different requirements of their accounting and reporting methods. However, while Duke's IRS Form 990 gives us a good look at what a private university pays its long-standing head coach, the bottom line is simply that highly successful and highly profiled coaches have packages that resemble the compensation packages of CEOs.

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¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*