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## College Athletics—Chasing the Big Bucks

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College athletic programs have experienced an enormous growth in contributions to help underwrite the facilities arms race, spiraling coaches salaries, and other escalating costs. The country's largest athletic departments and booster clubs have raised more than \$1.2 billion in 2006-2007, according to the *Chronicle of Higher Education*, with some programs more than tripling their annual gifts in the past decade.<sup>1</sup>

The *Chronicle* report indicates that between 2002 and 2007, colleges in the nation's six premier athletic conferences raised more than \$3.9 billion for capital expenditures alone. Many athletic programs are expanding their fund-raising staffs to solicit contributions. While donations to the country's largest 119 athletic departments have risen significantly in recent years, overall giving to those colleges has stayed relatively flat according to an article in the April issue of the *Journal of Sports Management*.<sup>2</sup>

In 1998 athletic gifts accounted for 14.7% of all contributions. By 2003 sports donations had reached 26 percent. In recent years spending on sports has grown at a rate three times faster than for spending on the rest of the campus.

The *Chronicle* survey found that last year 27 athletic programs raised more than \$20 million each, and 10 programs brought in more than \$30 million each. The University of North Carolina led the way collecting \$51 million, the University of Virginia collected \$45 million, and the Ohio State University collected \$39 million.<sup>3</sup> T. Boone Pickens, oil and hedge fund mogul, gave \$30 million to Oklahoma State University Athletic Department to renovate the football stadium and to put his name on it, and also committed \$165 million more to build an athletic village on campus, while Philip H. Knight, co-founder of Nike, has donated in excess of \$100 million to the sports program at the University of Oregon.<sup>4</sup>

The business of college sports has become a big business, a sophisticated business wherein athletic directors oversee multi-million dollar licensing deals, integrated sponsorships, apparel contracts, preferred seating, seat licensing programs, and cable and TV contracts. And booster clubs, such as the Seminole Booster Club (Florida) and the Tiger Athletic Foundation (LSU), have become institutions unto themselves.

In October 2006, the House Ways and Means Committee questioned the NCAA as to why it is deserving of its tax exempt status and why the federal government should subsidize college athletics when money helps pay for escalating coaching salaries, some of which reach seven figures. Former Ways and Means Committee Chairman Bill Thomas criticized "highly paid coaches with no academic duties," and wrote that Division 1 football and men's basketball "more closely resembled professional sports than amateur sports."<sup>5</sup>

According to a *USA Today* article, for the 2006 season 42 of the 119 Division 1-A coaches were earning

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1. Brad Wolverton, *Growth in Sports Gifts May Mean Fewer Academic Donations*, THE CHRON. OF HIGHER EDUC., Oct. 5, 2007, at A1.  
2. *Id.*  
3. *Id.*, see also Selena Roberts, *At Colleges, Money Doesn't Talk, It Screams*, N.Y. TIMES, Sept. 30, 2007, at SP8.  
4. Wolverton, *supra* note 1, at A1; Jon Weinbach, *Inside College Sports' Biggest Money Machine*, WALL ST. J., Oct. 19, 2007, at W1.  
5. Weinbach, *supra* note 4, at W1.

one million dollars or more, up from five in 1999.<sup>6</sup> “Nick Saban alone has Alabama donors emptying their houndstooth cookie jars and Roll-Tide money clips to pay an 8-year, \$32 million deal filled with the CEO perks from a Jack Welsh dream. All this after the public university paid out nearly 6 million dollars to sack Mike Shula and his staff last year.”<sup>7</sup>

Nick Saban was named the University of Alabama’s 27<sup>th</sup> head football coach on Wednesday, January 3, 2007. Saban compiled a record of 106-59-1 (642) in 13 seasons as a head coach, having also led programs at Louisiana State, Michigan State, and Toledo. Saban’s short-term tenures has given his contracts a “nomadic tendency” -- Toledo (1990), Michigan State (1995-1999), LSU (2000-2003), Miami Dolphins (2005-2006).<sup>8</sup>

Saban took over the Alabama program after serving two seasons at the helm of the National Football League’s Miami Dolphins. He was earning approximately 4.5 million dollars per season.<sup>9</sup> “With resounding success at the college level, Saban has earned a reputation as an outstanding tactician, leader, organizer and motivator.”<sup>10</sup> As a result, according to one agent, “Saban’s contract with Alabama is a result of the strongest leverage of any coach in the history of college football. The circumstances combined to form one of the most one-sided contracts ever.”<sup>11</sup>

Nick Saban’s 32-page contract with the University of Alabama was actually executed by Saban on June 13<sup>th</sup> and by the University on June 15, 2007.<sup>12</sup> The term of the contract is eight years commencing January 4, 2007 and ending January 31, 2015. Eight years is a fairly long term for a college football coach employment contract. Other top football coaches have initial terms as listed in the following chart.

COACH	SCHOOL	TERM
Chan Gailey	Georgia Tech	5 years
Bill Doba	Washington State	
Ron Prince	Kansas State	
Jerry Dinardo	Indiana	
Gary Pinkel	Missouri	
Mike Davis	Alabama-Birmingham	6 years
Bret Bielema	Wisconsin	
William Brown	Albany	
Jim Larranaga	George Mason	
Jim Tressel	Ohio State	
Dennis Franchione	Texas A&M	7 years
Jim Calhoun	Connecticut	
Bill Callahan	Nebraska	
Urban Meyer	Florida	
Mark Richt	Georgia	
Dan McCarney	Iowa State	8 years
Richard Rodriguez	Virginia	
Les Miles	Louisiana State	
Tommy Bowden	Clemson	
Jeff Tedford	California	

6. Jodi Upton & Steve Wieberg, *Million-Dollar Coaches Move Into Mainstream*, Oct. 16, 2007, [http://www.usatoday.com/sports/college/football/2006-11-16-coaches-salaries-cover\\_x.htm](http://www.usatoday.com/sports/college/football/2006-11-16-coaches-salaries-cover_x.htm).

7. Roberts, *supra* note 3, at SP8.

8. Nick Saban Named Head Football Coach at the University of Alabama, [http://www.rolltide.com/ViewArticle.dbml?PALBID=14720&DB\\_OEM\\_ID=8000&ATCLID=736499&SPID=3011&SPSID=37423](http://www.rolltide.com/ViewArticle.dbml?PALBID=14720&DB_OEM_ID=8000&ATCLID=736499&SPID=3011&SPSID=37423) (last visited Oct. 16, 2007).

9. Saban Contract Largest in History, [http://blog.al.com/live/2007/06/saban\\_contract\\_largest\\_in\\_hist.html](http://blog.al.com/live/2007/06/saban_contract_largest_in_hist.html) (last visited Oct. 16, 2007).

10. Gene Frenette, *Buyout Business*, June 24, 2007, [http://www.jacksonville.com/tu-online/stories/062407/col\\_179690188.shtml](http://www.jacksonville.com/tu-online/stories/062407/col_179690188.shtml).

11. *Id.*

12. Employment Contract between the University of Alabama and Nick Saban § 3.01 (June 15, 2007) [hereinafter Saban Contract].

Saban's compensation from the university comes in two categories: (1) the base salary for the contract, and (2) personal service fees. The annual base salary is \$225,000 and remains at that amount for the periods February 1, 2007 through the end of the contract, i.e. January 31, 2015, as more particularly stated in 4.01 of Saban's contract. Pursuant to paragraph 4.04, Saban also receives additional compensation in the form of a "personal service fee." The personal service fee during the term of the contract is as follows:

2007 - \$3,275,000  
2008 - \$3,525,000  
2009 - \$3,675,000  
2010 - \$3,875,000  
2011 - \$3,925,000  
2012 - \$3,975,000  
2013 - \$3,975,000  
2014 - \$3,975,000

In essence, to receive the "personal service fee," Saban is required to participate in certain media programs, obligated events, and non-commercial activities including:

1. No less than one (1) radio program during each week of the regular season and postseason, two (2) radio programs during the spring practice period, and one (1) radio program on or around national signing day (and such other radio programs as may arise due to special events, such as a championship) (plus other short, taped leads directly related to the radio program);
2. No less than one (1) television program during each week of the regular season, one (1) television program prior to any post-season game and/or bowl game, and one (1) television program after the conclusion of any post-season or bowl game (and such other television programs as may arise due to special events, such as a championship) (plus other short, taped leads related to the television program);
3. The production of reasonable content for an internet web-site;
4. University authorized or produced publications (such as football game programs, books in which the primary subject matter relates to the University, its teams, and athletic program, media guides, highlight films, artwork, other media, and videos); and
5. Non-endorsement activities, which shall be limited to fifteen (15) total activities during a contract year. Such non-endorsement activities may include Saban's performance, participation, or appearance on behalf of either the University, athletic department, its supporting foundations, or University-approved marketing contractor, before an alumni club or similar organization, before a University-related or affiliated booster club or similar organization, before other similarly-situated or affiliated groups, clubs, or organizations, or at coaching or other clinics and gatherings related to the University's athletically-related marketing efforts and contracts.<sup>13</sup>

In essence, then, Saban's contract puts him at the top with respect to compensation packages for college football coaches.

<sup>13</sup> *Id.* §4.04(d)(1-5).

### Highest Paid College Football Coaches<sup>14</sup>

Coach	School	Age	Conference	Annual Compensation
1) Nick Saban	Alabama	56	SEC	\$4,000,000
2) Charlie Weis	Notre Dame	51	Ind.	\$3,500,000
3) Bob Stoops	Oklahoma	47	Big 12	\$3,450,000
4) Kirk Ferentz	Iowa	52	Big 10	\$2,840,000
5) Pete Carroll	USC	56	Pac 10	\$2,782,000
6) Mack Brown	Texas	56	Big 12	\$2,664,000
7) Tommy Tuberville	Auburn	53	SEC	\$2,231,000
8) Philip Fulmer	Tennessee	57	SEC	\$2,050,000
9) Jim Tressel	Ohio St.	55	Big 10	\$2,012,700
10) Dennis Franchione	Texas A&M	56	Big 12	\$2,012,200
11) Frank Beamer	Virginia Tech	61	ACC	\$2,008,000
12) Rich Rodriguez	W. Virginia	44	Big East	\$2,000,000
13) Les Miles	LSU	54	SEC	\$1,850,000
14) Butch Davis	N. Carolina	56	ACC	\$1,800,000
15) Al Groh	Virginia	63	ACC	\$1,785,000
16) Steve Spurrier	S. Carolina	62	SEC	\$1,750,000

The contract also permits Saban to earn additional compensation while employed by the university. Such sources of additional compensation may include: (1) compensation from endorsements or promotions that do not compete with university promotions; (2) compensation from public speaking engagements; (3) compensation from authoring or co-authoring books or publications; and (4) compensation for media programs and non-endorsement activities.<sup>15</sup> Saban must obtain the prior written approval of the director of athletics or the president, which approval shall not be unreasonably withheld, before engaging in such activities.

The contract also contains an incredible amount of perks and perquisites including: a fifteen (15) seat skybox located in the north end zone of Bryant-Denny Stadium; seven (7) additional standup tickets associated with said skybox; twelve (12) tickets per home football game for general admission at Bryant-Denny Stadium; membership privileges in a golf or country club located within Tuscaloosa County; actual and necessary moving expenses incurred; a non-commercial airline plane for Saban's personal, non-business travel for a maximum of twenty-five (25) hours of flight time; and two (2) full-size automobiles for business and personal use and payment of all vehicle operating expenses.<sup>16</sup>

Paragraph 5.01(d) (Termination Without Cause) of Saban's contract, indicates that the University has the right at any time to terminate the contract without cause and for its convenience prior to its expiration. However, if the contract is terminated without cause, it is subject to a liquidated damage provision as contained in paragraph 5.01(e), wherein the University agrees to pay Saban as liquidated damages an amount equal to the sum of the annual base salary and personal service fees for each month remaining on the term of the contract calculated from the first full month immediately following the effective date of termination without cause. The liquidated damages shall be paid to Saban over a period of time equal to twice the number of full months remaining on the contract term in monthly installments. However, the liquidated damage payment is subject to an offset and reduction on a monthly basis as specified in Section 5.01(h) which essentially offsets any earnings by Saban personally or through owned business entities owned or controlled by Saban from employment

14. Coaches Hot Seat, [www.coacheshotseat.com/SalariesContracts.htm](http://www.coacheshotseat.com/SalariesContracts.htm) 4.23.2007, April 23, 2007.

15. Saban Contract, *supra* note 12, § 4.04(a)-(d).

16. *Id.* § 4.05(b), (e), (h) & (j).

as a head or assistant coach or as an administrator either at a college or university or with a professional sports organization.<sup>17</sup>

Normally a termination without cause-liquidated damage provision will also be followed by an obligation on the part of coach to pay liquidated damage in the event the coach wants to terminate the contract early and take another job. Saban's contract has no such provision. Theoretically, Saban could go back to the NFL at any time without owing Alabama a penny. Industry observers believe Saban's no-buyout clause was an aberration the result of a school desperate to lure him after its pursuit of West Virginia Coach Ron Rodriguez failed. It should be noted that when Saban was at LSU 2002-2004, he didn't have a buyout obligation when he left for the Miami Dolphins. Buyouts have become a golden parachute for fired coaches and an expensive security blanket for successful coaches schools want to keep. Buyouts should offer protection for both sides. Buyouts are becoming almost standard contract ware in the world of college coaching.<sup>18</sup>

<u>Coach</u>	<u>Buyout Amount</u>
Houston Nutt (Arkansas)	\$500,000
Tommy Tuberville (Auburn)	\$6 million
Urban Meyer (Florida)	\$150,000
Les Miles (LSU)	\$1.2 million
Mark Richt (Georgia)	\$2 million per year left
Steve Spurrier (S. Carolina)	\$500,000 per year left
Phil Fulmer (Tennessee)	\$1 million

#### CONCLUSION

Like facilities, coaches' salaries are part of the spiraling arms race among the top programs in college athletics. Probably for good reason. College coaching is big business, and why not? Major basketball and football programs are the underwriters of Title IX and non-revenue sports, and therefore, an investment in your revenue-producing sports makes all sports a possibility. If programs are successful on the field or on the court and on the bottom line, why shouldn't the person leading the program be paid accordingly? The professional leagues have become major competitors with top college coaching talent. NFL teams have hired four college coaches in the last five-plus years, including Nick Saban from Louisiana State, Dennis Erickson from Oregon State, Steve Spurrier from Florida, and Butch Davis from Miami, giving them contracts that average between 2.5 to 5 million dollars per year. NFL teams have also flirted with Bob Stoops (Oklahoma), Mack Brown (Texas), and Kirk Ferentz (Iowa), among others.

In order to be competitive for top college coaches, colleges have stepped up accordingly. Feeding the salary spiral is a tidal wave of money from lucrative television and apparel contracts and multi-media and marketing right deals for entire athletic programs or entire campuses. Supporting college athletic programs today is a favorite of alumni and donors and is almost seen as a civic virtue, and finally corporate America has found the college scene to be a good marketing investment.

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<sup>17</sup> *Id.* § 5.01(d), (e) & (h).

<sup>18</sup> Frenette, *supra* note 10.