

College Basketball Pay for Playoffs

Basketball spending at top colleges is up 12% in a year, driven by rocketing salaries for coaches. Our look at who's getting the most wins for their money

By **RUSSELL ADAMS**
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When the University of West Virginia and Michigan State University begin their quest next week for college basketball's ultimate prize, the NCAA Championship, they will bring what appear to be very similar programs to the tournament. Both teams -- shoo-ins for berths in March Madness -- have all-conference centers, have won more than 20 games apiece, and rely heavily on a pair of seniors with postseason experience.



Mirko ilic

But by one measure, West Virginia is the underdog: It spent \$3.1 million on its basketball program last season -- less than half the bill at Michigan State, according to figures submitted to the U.S. Department of Education. One reason: Unlike many top 20 teams, West Virginia rarely charters flights and frequently travels by bus.

Across the country, football has long been the big sport on campus when it comes to spending money, but now basketball budgets are on a fast break. As a group, 80 of the top college basketball programs -- including many of the schools now in contention for tournament spots -- spent an average of 12% more in the school year 2004-05 than the year before. That was on top of a 7% cost increase the previous year, based on figures submitted by the colleges to the Department of Education. A major cause: the upward spiral in coaches' pay packages.

But while some of these basketball programs pay ever-growing amounts to put their teams on the court -- University of Tennessee spent 62% more on its basketball program in the 2004-05 school year than the year before,

while the University of Connecticut's expenses doubled -- other schools are showing that it's possible to be a winner without breaking the bank.

With March Madness seedings due out this weekend and the games getting under way in the middle of the week, we wanted to see which teams are getting the most bang for their buck. We analyzed figures from the Department of Education, canvassed more than 100 schools and spoke to athletic directors, university presidents, coaches and others with knowledge of the economics of college athletics -- and found some schools that get an unusual amount of value for their investment. Some schools have been able to fund their programs for the entire season for what some other teams spend on travel alone.

COURT COSTS



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We looked at cost and revenue data for 50 of the country's [top basketball programs](#)² to see which get the most bang for their


buck.

Gonzaga University in Washington state spent \$1.6 million on its basketball program last year, less than about two-thirds of the schools expected to appear in the NCAA tournament -- and it is now ranked fourth in the country. Eleventh-ranked Boston College's \$2.5 million budget last year might sound like a lot, but it only comes down to \$96,153 per win -- or less than a third of the \$305,263 per win that unranked Marquette spent last season. (Marquette says its basketball program is still in the black, despite the recent cost increases.)

Northwestern State University in Natchitoches, La., which will likely make the tournament as a lower-seeded team, spent \$474,000 on basketball last year. That's about 15% of the bill at Florida State University, which will probably be seeded about the same as NSU.

Top teams, of course, also bring in revenue -- from sources like ticket sales and conference TV deals. The most profitable basketball program in this year's tournament? The University of Arizona, which generated \$16.6 million in revenue last year while spending just \$4.1 million.

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By some measures, even with the rapidly rising costs, college basketball is a healthy business. An estimated 70% of Division I programs operate in the black, a figure that has remained steady since 1993, according to Dan Fulks, a professor at Transylvania University in Kentucky who tracks the budgets of athletic programs as a consultant to the NCAA. But if costs continue to outpace revenues -- expenses have risen faster for basketball teams in the last two years than ever before, the NCAA estimates -- those figures may not be so rosy for much longer. Also, many basketball programs currently get some degree of financial support from their schools -- though that's not always spelled out in financial statements -- in some cases to the tune of millions of dollars.

Connecticut, one of the more dominant teams in the game, provides a good example of the potential challenges: Since 1999, the Huskies have won two national championships and seen revenue grow 44%, to \$7.7 million last year. But in the same period, expenses more than doubled, to \$5.5 million.

For colleges, the biggest obstacle to containing costs is the coaches' pay package. At some schools, that now accounts for almost 40% of the program's total budget, a figure that has been pushing upward in recent years. At least a dozen Division I coaches now make more than \$1 million, up from only a couple a decade ago, and many coaches are paid more lavishly than their college presidents. Pay packages are growing in size because colleges believe that there are a finite number of people with the skills to do everything from orchestrate a pep rally to schmooze wealthy alums -- while, of course, winning on the court.

It isn't the coaches' base salaries, which tend to be relatively nominal, that are driving up compensation levels -- it's the extra perks, from guaranteed income from media appearances to golf-club memberships. Ohio State University head coach Thad Matta's \$1 million package includes a private jet for recruiting trips and \$40,000 for making the NCAA tournament. Bo Ryan, the head coach at the University of Wisconsin, estimates that with golf outings, charity functions, speaking engagements and "chalk talks" with boosters, he and his assistants make 100 appearances a year on behalf of the university. Mr. Ryan says he's OK with those additional responsibilities: He plans to use the proceeds -- \$300,000 of his \$700,000 compensation comes from his public-relations duties -- to buy his parents summer homes in Florida and New Jersey.

Many top coaches, of course, also make large sums of money through outside sources, from things like speaking engagements and shoe deals. A good reason why Arizona is the most profitable team in the tournament is that the bulk of its coach's income comes from those kinds of arrangements.

All of this taps into a growing debate about where and how universities should spend their money. Ever since Boston College quarterback Doug Flutie threw a Hail Mary pass to beat Miami in 1984, universities have referred to the "Flutie Effect" to describe the connection between stellar athletic performances and subsequent boosts in applications and alumni donations. Researchers have confirmed this connection in a number of studies, but it's unclear whether sports success has any impact on the quality of those applications.

Athletics budgets are now growing three to four times as fast as university budgets, says Myles Brand, president of the NCAA. "It's a serious concern," he says. Mr. Brand says the NCAA last year formed a task force of 50 university presidents and chancellors to study the problem of escalating costs in college sports; their recommendations are due out this fall.

That hasn't stopped universities from plunging ahead in a quest for sports glory. While trying to build a top college-football team can take years, basketball programs are more susceptible to quicker fixes. Many schools are only a couple of good recruits away from being able to qualify for the NCAA tournament, which makes it tempting for colleges to spend the extra money to try to get there. Even surviving for one round of the tournament can result in a nice chunk of TV revenue for smaller schools. In college football, on the other hand, the revenue pool is essentially restricted to only the biggest schools from six conferences. The costs of running a Division 1 football program grew 14% between 2001 and 2003, according to the latest figures from the NCAA.

After salaries, the next biggest cost component for a college basketball team is usually travel, which at schools that fly charter can reach into the high six figures. The University of Louisville's team last year spent close to \$800,000 on travel -- the team charters flights to anywhere out of driving distance. The rest of the costs are sprinkled among areas like recruiting, equipment and scholarships.



Overall, basketball budgets (from last year) for the likely tournament teams range from as low as \$474,000 for Northwestern State University to as high as \$7.4 million for Duke University -- but those raw numbers

conceal the fact that some teams simply use their money more wisely than others. The University of Villanova, the No. 2-ranked team in the nation, last year spent a mere \$2.6 million on basketball. That's the fifth-lowest total in the Top 20 and less than what's being spent by Creighton University, a more-obscure school from the Missouri Valley Conference.

Vince Nicastro, Villanova's athletic director, says the team does a lot of recruiting in the talent-deep Philadelphia area, where the school is based, which helps keep expenses down. (The team is about to take on some added costs, though, thanks to a new contract for its coach.)

Just as the Oakland Athletics in baseball have perfected the art of finding and signing undervalued players and then trading them when they become overvalued, some college basketball teams are refusing to pay the bigger salaries. When Trent Johnson led the University of Nevada, Reno, to the Sweet 16 in 2004, the school knew he was as good as gone when Stanford came calling. So it hired his assistant, Mark Fox, who this year is making his second NCAA tournament appearance in as many years as head coach.

Mr. Fox's salary: \$260,000, only 15% of the program's \$1.7 million budget. He has helped raise the program's revenue from \$2 million in 2003-04 to \$3.3 million last year, with \$800,000 of that increase coming from ticket sales, according to athletic director Cary Groth, who is now negotiating with Mr. Fox on a contract extension. She says he'll likely get a raise, though not a large one.

"We all read the newspaper or the Internet," says Mr. Fox. "Certainly, some of the salaries in college athletics get your attention. But I'm comfortable."

Still, most schools haven't shown nearly as much fiscal restraint. University of North Carolina coach Roy Williams, who won last year's NCAA title, makes a total of \$1.4 million a year. His opponent in last year's title game, Bruce Weber of the University of Illinois, gets paid about half that much. Both teams are poised for another run at the Final Four.

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Court Costs

The Wall Street Journal looked at cost and revenue data for 50 of the country's top basketball programs—all strong contenders for the NCAA tournament—to see which get the most bang for their buck. The data on coaches' pay packages came from the schools and, in some cases, their tax returns; the revenue and expense data are from reports that the schools are required to file with the Department of Education.

—Reed Albergotti

| SCHOOL/COACH | SALARY 2005/06 (MILLIONS) | EXPENSES 2004/05 (MILLIONS) | % CHANGE FROM PREV. YEAR | REVENUES 2004/05 (MILLIONS) | % CHANGE FROM PREV. YEAR | RECORD W/L | COMMENT |
|---|---------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|---------------|---|
| Duke <i>Mike Krzyzewski¹</i> | \$1.4 | \$7.40 | ▲51% | \$12.40 | ▲17% | 27-3 | Los Angeles Lakers offered Mr. Krzyzewski a \$40 million pact in 2004 |
| Michigan State <i>Tom Izzo</i> | 1.6 | 6.30 | ▲47 | 11.00 | ▲29 | 21-10 | Spartans have four Final Four appearances and a national championship in last eight years |
| Marquette <i>Tom Crean¹</i> | 1.1 | 5.80 | ▲14 | 5.80 | ▼-3 | 20-10 | School moved this year to the more-competitive Big East from Conference USA |
| Kentucky <i>Tubby Smith</i> | 1.9 | 5.60 | ▼-2 | 12.90 | ▲9 | 20-11 | Wildcats among the top revenue producers in college basketball |
| Syracuse <i>Jim Boeheim</i> | .38 | 5.60 | ▼-5 | 12.40 | ▲6 | 21-11 | Syracuse may sneak into the tournament after a sub-par year |
| Arkansas <i>Stan Heath</i> | .80 | 5.60 | ▼-3 | 11.10 | ▲8 | 21-8 | Razorbacks' basketball expenses nearly doubled in 2003-04 season |
| UConn <i>Jim Calhoun</i> | 1.5 | 5.50 | ▲104 | 7.90 | ▲44 | 27-3 | Revenue grew last season—but expenses rose more than twice as fast |
| Texas <i>Rick Barnes</i> | 1.3 | 5.10 | ▲11 | 12.00 | ▲3 | 25-5 | Texas football still king, generating \$53 million last year |
| Texas A&M <i>Billy Gillispie</i> | .63 | 4.90 | ▲11 | 6.50 | ▲91 | 20-7 | Mr. Gillispie turned around a team that lost 21 games in 2003-04 |
| UNC <i>Roy Williams</i> | 1.4 | 4.80 | ▲41 | 15.00 | ▲11 | 21-6 | Only one other program made more money than UNC, last year's national champs |
| Florida <i>Billy Donovan</i> | 1.7 | 4.60 | ▼-12 | 6.50 | ▼-4 | 24-6 | Gators basketball had a double-digit decline in expenses last year |
| Iowa <i>Steve Alford</i> | .80 | 4.50 | ▲32 | 10.50 | ▲5 | 22-8 | Former Indiana player Mr. Alford is one of the hotter young coaches in college hoops |
| Tennessee <i>Bruce Pearl</i> | .80 | 4.50 | ▲62 | 5.40 | ▼-21 | 21-6 | Buyout of former coach Buzz Peterson boosted 2004-05 expenses |
| Memphis <i>John Calipari</i> | 1.2 | 4.50 | ▲15 | 5.60 | ▲6 | 28-3 | School blames slow revenue growth on move to less popular FedEx Forum |
| Kansas <i>Bill Self</i> | 1.0 | 4.30 | ▲10 | 11.80 | ▲15 | 22-7 | 16,300-seat Allen Field House sells out for every game |
| Oklahoma <i>Kelvin Sampson</i> | 1.0 | 4.10 | ▲32 | 6.20 | ▲2 | 20-7 | Sooners have nine straight 20-win seasons |
| Ohio State <i>Thad Matta</i> | .83 | 4.10 | ▲11 | 11.40 | ▲0 | 23-4 | Mr. Matta gets to use a private jet for recruiting trip |
| Arizona <i>Lute Olson</i> | .70 | 4.10 | ▲0 | 16.60 | ▲23 | 19-11 | Wildcats have the most profitable program in the the tournament |
| Indiana | .72 | 3.80 | ▲27 | 11.00 | ▲8 | 23-10 | Hoosiers will be in the market for a new coach after |