

Sample Analysis

**YOU MUST BE
THIS EQUIPPED
TO RIDE THE
COACHING
CAROUSEL**



The coaching carousel is turning again . . .

The velocity with which college coach contracts are extended or terminated contributes to salary escalation untethered to performance. All too often, universities prematurely extend college coach contracts with increases in compensation as well as university funded buyouts payable upon a termination without cause (read: terminations arising from sub-par on-field performance), before a coach's true impact on a university's athletic program can be fairly determined. Similarly, the residue of premature terminations can be equally costly. Premature terminations generate dead money (payments made to coaches no longer employed by universities), transition costs ranging from fees paid to search firms to temporary housing for the new coaching staff and heightened pressure on the potential new holders of staff positions that their agents routinely translate to salary increases for new hires no more qualified than the recently departed staff.

Following is an example of a data bank of current competitive¹ and fiscal² fundamentals for SEC schools that provides relevant context for evaluating the need to maintain, adjust or terminate the employment contracts of head football coaches.

¹ Note the following 3 competitive trends: (1) "Trend at Hire" represents the nominal increase or decrease in win percentage for the 5 year period immediately preceding the current HC hire, relative to the program's historical win percentage, (2) "Current HC v. Trend" represents the nominal increase or decrease in the current HC's win percentage relative to the win percentage in the 5 year period immediately preceding the current HC hire, and (3) "Current HC v. Historic" represents the nominal increase or decrease in the current HC's win percentage relative to the program's historical win percentage.

² Salary information is collected and analyzed by Spencer Fane LLP in partnership with USA Today. Athletic Department financial information is based on the revenue and expense reports required by the Equity in Athletics Disclosure Act (current reports filed in 2015 reflect 2014 performance).

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Chart 1

School	Head Coach Compensation	Total Staff Compensation	HC Percentage of Total Staff Compensation	Staff Cost Relative to Department Revenue	Staff Cost Relative to Department Expense	Win % (5 year period prior to current HC)	Historic Program Win %	Current HC Win %	Trend at Hire	Current HC v. Trend	Current HC v. Historic
Arkansas Razorbacks	\$4,100,000	\$8,320,000	49.28%	7.29%	8.57%	0.603	0.576	0.500	0.027	(0.103)	(0.076)
Georgia Bulldogs	\$3,753,600	\$8,594,600	43.67%	7.40%	8.90%	0.746	0.627	0.583	0.119	(0.163)	(0.044)
Kentucky Wildcats	\$3,500,000	\$6,940,000	50.43%	5.96%	6.03%	0.429	0.478	0.408	(0.050)	(0.020)	(0.070)
Ole Miss Rebels	\$4,703,500	\$9,338,500	50.37%	10.66%	11.33%	0.435	0.547	0.609	(0.112)	0.174	0.062
Mississippi State Bulldogs	\$4,200,000	\$7,645,000	54.94%	10.14%	11.00%	0.356	0.473	0.588	(0.117)	0.232	0.115
Alabama Crimson Tide	\$6,939,395	\$12,784,395	54.28%	8.59%	9.66%	0.571	0.701	0.866	(0.129)	0.294	0.165
Missouri Tigers	\$2,350,000	\$6,511,800	36.09%	7.14%	7.50%	0.631	0.527	0.333	0.103	(0.297)	(0.194)
Auburn Tigers	\$4,725,000	\$9,455,000	49.97%	7.58%	8.19%	0.594	0.613	0.673	(0.019)	0.079	0.060
LSU Tigers	\$3,600,000	\$9,932,500	36.24%	7.16%	8.14%	0.750	0.633	0.770	0.117	0.020	0.138
Tennessee Volunteers	\$4,110,000	\$8,850,000	46.44%	6.99%	7.80%	0.452	0.660	0.580	(0.208)	0.128	(0.080)
South Carolina Gamecocks	\$3,000,000	\$7,350,000	40.82%	6.49%	6.84%	0.672	0.493	0.500	0.179	(0.172)	0.007
Florida Gators	\$4,268,325	\$8,488,670	50.28%	5.77%	6.77%	0.587	0.614	0.720	(0.027)	0.133	0.106
Vanderbilt Commodores	\$2,556,877					0.444	0.374	0.361	0.071	(0.083)	(0.012)
Texas A&M Aggies	\$5,000,000	\$10,126,000	49.38%	5.26%	9.26%	0.516	0.583	0.688	(0.067)	0.172	0.105

Below is an example of a basic decision tree, which incorporates variables from Chart 1. Institutions may choose to modify, weight or add additional variables to accommodate a program or department's unique circumstances.

Decision Tree			
Tenure	HC Comp	Total Staff Comp / Department Expense	Performance
HOT SEAT			
3+	HC Compensation \geq Conference Average OR Relative Staff Compensation \geq Conference Average		<Predecessor AND <Historic Average
HOLD			
2+	HC Compensation \leq Conference Average AND Relative Staff Compensation \leq Conference Average		>Predecessor OR >Historic Average
EXTEND / RAISE			
3+	HC Compensation \leq Conference Average OR Relative Staff Compensation \leq Conference Average		>Predecessor AND >Historic Average

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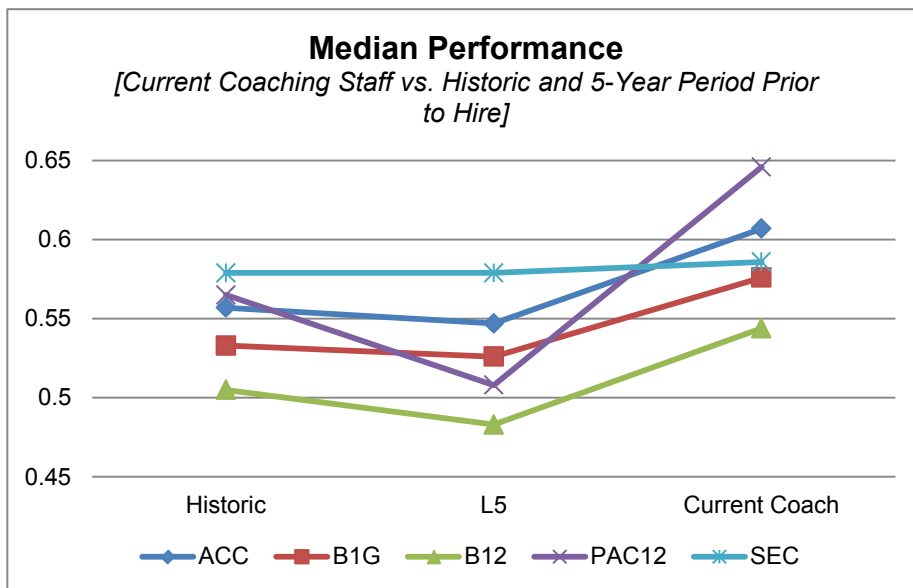
Adjustments to the decision tree can and should be based on a host of program specific and/or department wide considerations. Department-wide considerations frequently start with fiscal capacity. Can State U afford to make a coaching change vs. Can State U afford not to make a coaching change? Traditional assumptions regarding net revenue from department operations and conference subsidies should be considered in the context of what today's athletic administrators know is on the horizon. Namely, in addition to the escalating costs of traditional athletic department operations, the blurring definition of amateurism, the need for greater student-athlete safety and the university's ability to control and properly respond to student-athlete conduct will almost certainly impose new and substantial costs on college athletic departments. These additional costs are likely to outpace augmented revenues from enhanced media, licensing and other fan-based revenue streams. In this environment, competitive and fiscal success will be driven by performance data in an exercise akin to the operations of our country's most-successful publicly traded companies.

SEC coaches are the most highly compensated in college football:

	<u>Median HC Compensation</u>	<u>Median Total Staff Compensation</u>
SEC	\$4,105,000	\$8,594,600
All Other Autonomy 5	\$3,100,000	\$6,228,288

Chart #2 below is graphic example of why coaches in the SEC are so highly compensated. Chart #2 demonstrates the historic success of the SEC relative to the other Autonomy 5 conferences. The high but relatively flat performance curve for the SEC's head football coaches evidences a greater turnover velocity among SEC head football coaches whose programs are unable to win at a rate meaningfully greater than their historic averages. Entering the 2015-2016 season, 11 of the SEC's 14 coaches had less than 5 years' tenure at their SEC school.

Chart 2



Sample Analysis



Paying for expectations (realistic or not), rather than performance or accomplishments to date, creates a market distortion. Before a university gets back on the coaching carousel, it should consider whether its funds are better directed toward terminating and replacing its current coaching staff or investing in program or departmental improvements which enable the program to compete now and in the future.

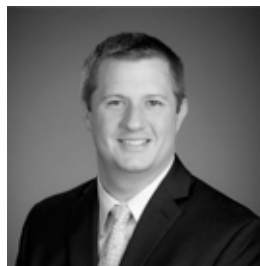
A more deliberate and objective approach to contract management is also a coach-friendly approach. It cultivates opportunities for more meaningful job security and staff continuity, important factors in marrying and promoting decisions by universities and coaches in their mutual best long-term interests. Perhaps the most challenging aspect of data-driven contract management is educating the program's benefactors, stakeholders and fans on the foundation for long-term success it provides.

The Spencer Fane Team

The Spencer Fane Collegiate Athletics Legal Team helps athletic directors, athletic departments and coaches successfully navigate complex business, legal and regulatory issues...so you can focus on winning.



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