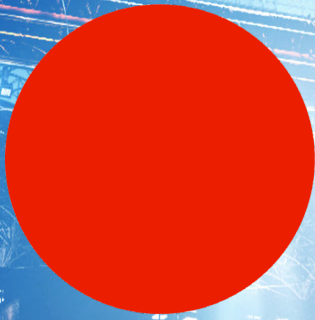




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INSURANCE CONTRACT
SALARY BOOST?



HOW JIM HARBAUGH COULD BECOME A \$10 MILLION COACH

UNDER THE DEAL, THE UNIVERSITY IS MAKING A SERIES OF \$2 MILLION PAYMENTS AS PREMIUMS ON A LIFE INSURANCE POLICY THAT HARBAUGH OWNS AND FROM WHICH HE CAN MAKE WITHDRAWALS OR LOANS.



An already exceptional year in Michigan football coach Jim Harbaugh's contract and an exceptional year by Michigan's football team would produce this extraordinary outcome:

A public university employee making more than \$10 million in a single contract year.

Putting aside the worlds of academia, state or federal government service and non-profits, here's a little context for that amount—during the 2014–15 fiscal year, the last one for which NCAA data are available, 19 Division I public schools reported spending less than \$10 million on their entire athletics programs. Within the broader higher-education world there is perhaps one comparable situation to Harbaugh's—that of former

Yale president Richard Levin. In 2015, when the school released its federal tax return that included pay data for the 2013 calendar year, Levin was listed as having received a total of more than \$9.6 million. Just over \$8.5 million of that was in the form of a special lump-sum retirement payment after his 20 years in the job ended June 30, 2013.

As far as the public employment sector goes, "it's probably the highest out there," said Thom Reilly, the director of Arizona State University's Morrison Institute for Public Policy and an expert on public pay and benefits. "He works for the University of Michigan, right? Not a Fortune 200 company. It just seems remarkable. A little bit shocking."

Harbaugh's basic compensation from Michigan for his second contract year, which runs from Jan. 11, 2016 through

Michigan head coach Jim Harbaugh. Rick Osentoski, USA TODAY Sports.

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Jan. 10, 2017, had been set to be \$5 million. That comprised \$500,000 in base salary and \$4.5 million as compensation for activities including television, radio and public appearances, promotional work and product endorsements.

In June, however, he and the university agreed on a complex loan agreement that fulfilled the university's contractual pledge to "determine an appropriate deferred compensation arrangement" for Harbaugh after he completed his first season as the Wolverines' coach. Under the deal, the university is making a series of \$2 million payments as premiums on a life insurance policy that Harbaugh owns and from which he can make withdrawals or loans. (The university will get its money back, without interest, under a variety of scenarios, the most basic of which would be when Harbaugh dies.)

Hiring a college football coach is expensive. Firing one is, too.

The first of the \$2 million payments occurred on the agreement's effective date: June 3, 2016.

Then, as long as Harbaugh remains Michigan's head coach, the university will make additional \$2 million payments every Dec. 6, beginning with Dec. 6, 2016.

That is set to give Harbaugh a total of \$4 million more this contract year.

The remainder of his path to, or above, \$10 million would be paved by incentive bonuses:

- \$125,000 if the team plays in the Big Ten Conference championship.
- \$125,000 if the team wins the Big Ten title game.
- \$300,000 if the team plays in a College Football Playoff semifinal.
- \$500,000 if the team wins the national championship.
- \$50,000 for being voted Big Ten coach of the year by the conference's coaches.
- \$75,000 for winning any one of six national coach of the year awards.
- At athletics director Warde Manuel's discretion, up to \$150,000 based on the team's academic performance, as long as its single-year and multi-year NCAA Academic Progress Rate figures are at least 960.

Because Jim Harbaugh's salary goes into his insurance contract, he is on his way to a tax-free retirement.

Jim Harbaugh, through payments made on his insurance contract, is being paid \$2 million per year.

