

The Star-Ledger

Rutgers football: A game of secrets

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For a decade now, Rutgers University has pushed hard to become a college football powerhouse.

But in trying to play with the big boys, New Jersey's state university picked up some of their bad habits.

Two weeks ago a special university commission concluded the athletics department had been allowed to operate like a rogue agent, making secret deals and spending recklessly with little oversight. An internal audit concluded much the same.

After months of revelations of hidden spending, no-bid contracts and growing funding problems with a costly stadium expansion project, Rutgers now is at a crossroad. Later this week, the university's governing board is to meet over what to do about the stadium, and discuss how to rein in its athletics department.

Meanwhile, a six-month Star-Ledger investigation of Rutgers athletics -- including a new review of public records the university fought to keep confidential -- shows big-time college football has come at a greater price than the school has yet disclosed and still refuses to fully document.

Consider:

In the past five years, as Rutgers hiked tuition, eliminated six other varsity sports and canceled classes to cut costs, the university more than doubled annual spending on football, from \$7.5 million to \$15.6 million. Rutgers now puts more into its football program than any school in the Big East Conference, including Pittsburgh and Syracuse, which have won national titles.

Millions in direct sports expenses, including salaries, charter flights and facilities costs, were hidden from public view by keeping them off the athletic department books. Some were masked through confidential barter agreements with sponsors that totaled more than \$550,000 this year alone.

The \$102 million Rutgers Stadium expansion has been rife with unreported spending. Confidential memos show that overruns soared by as much as \$12 million in June, at the same time officials were publicly saying the project was on time and on budget. Newly released records also confirm what many had long suspected -- that the university rushed into the project just to keep head football coach Greg Schiano from leaving.

Rutgers officials concede they made mistakes in allowing the athletics department to conduct business with scant oversight. In a recent interview, university president Richard L. McCormick said the athletics department operated "more insularly than would have been ideal."

He defended the increased spending on athletics, saying the football team's success has become a rallying point for the entire state.

"It's a choice. It's a direction. It's a matter of vision and strategy," McCormick said. "The great majority of public research universities -- especially the very best -- have made decisions to invest in intercollegiate athletics, specifically at the Division 1 level."

In many ways, the investment has paid off. With three postseason bowl games in three years, gate revenues have increased and the university says more than 12,000 fans are on a waiting list for season tickets. Applications to the school are at an all-time high.

After a woeful start this year, the Scarlet Knights closed out their regular season Thursday night with a sixth straight win, crushing Louisville in a nationally televised game by a score of 63-14.

McCormick said success on the field reinforces Rutgers' academic accomplishments, and translates into "extraordinary benefits" for the student body, the faculty and the school itself.

"It opens a window on those achievements that we would not otherwise have," he said.

Athletic director Robert E. Mulcahy and Schiano both declined repeated requests to discuss the program.

Sen. Shirley Turner, chairwoman of the Senate Education Committee, which drafts policy affecting New Jersey public colleges, said she worries that the school is putting too much emphasis on the sport.

"I know that we're all great fans of the Scarlet Knights football team," said Turner (D-Mercer). "But I'm concerned we may be losing sight of our real mission here at our state university, which is to provide a high-quality education at an affordable cost."

DENIALS AND DELAYS

Finding out anything about Rutgers athletics can be difficult. The newspaper made more than 60 requests for information from the public institution during the past six months, seeking breakdowns of spending, coaches' contracts and other expenditures under the state's Open Public Records Act.

Many requests were refused outright; others were delayed by months. The university at various points claimed its data network was "antiquated," the compilation of electronic data would crash its computers, or that its personnel were either incapable of doing the work, were strapped for time or out of town.

In the end, most of the information was turned over under the threat of lawsuits. Some was released under a judge's order. Among the thousands of pages of documents and electronic records obtained was the first publicly released accounting of all university transactions.

While McCormick points out the school's support of sports amounts to less than 3 percent of its budget -- a \$47.9 million slice of a \$1.7 billion pie -- the overall athletics budget has increased at double the rate of the overall university budget the past five years.

At the same time, the university has increased the amount of money it funnels into its athletic department to cover its growing costs. Five years ago, it pumped in \$13 million to make up the gap between revenue and expenses. This year, the subsidy increased to \$15.2 million, according to figures provided by the school. That did not include another \$6.8 million in student fees earmarked for athletics this year, up from \$4.8 million in 2003.

Rutgers will not say how much it spends on football; in fact, the university would not provide a breakdown of spending on any individual sport and gave no reason for the refusal. The newspaper obtained the figures used in this story by examining federal reports that require schools to report how much they spend on athletics by gender.

In 2006-2007, the most recent year for which figures are available, Rutgers spent \$15.6 million on football -- half its sports budget -- compared with 35 percent five years earlier. While football revenues have also grown dramatically, the sport still doesn't pay for itself, athletic officials acknowledge.

"For many years, funding for the Rutgers football program was inadequate for the team to compete successfully," university spokesman Greg Trevor said. "We have gradually brought the level of funding to a competitive level."

Rutgers' increase in spending on football over the last five years -- 107 percent -- was the third-highest

among schools in the Big East and 30 percent higher than the conference average.

The examination of transactions shows Rutgers athletics spares little expense on things large and small: \$119.79 for funeral flowers for the father of one athlete. Another \$504.06 for holiday cards. Payments of \$345,710 to Nike, which supplies the team's uniforms, and \$2,423.31 to Joe Badali's restaurant in Toronto for a "snack for the football team."

Football salaries totaled \$2.7 million, according to university records, not including the bonuses and supplemental payments that go to Schiano. Scholarship aid came to \$2.3 million this season. Travel, lodging and meals accounted for another \$2.2 million, including \$248,434 in bills for the Hyatt Regency in New Brunswick, where the team spends the night before every home game, and \$302,203 in airfare on Continental Airlines.

A lot of things don't appear, though, such as the cost of heating and lighting Rutgers Stadium and other athletics facilities. Utility and maintenance costs are lumped in with the rest of the campus and not reflected in the athletics budget, officials said.

Schiano's compensation is not fully disclosed either, as reported in July by The Star-Ledger, which found the coach signed a side agreement providing an additional \$250,000 a year through indirect, guaranteed payments arranged by Nelligan Sports Marketing of Little Falls, the school's exclusive marketing agent.

Under the 7-year-old marketing agreement, Nelligan makes deals with sponsors, pays expenses from the revenues -- including some athletic department operational costs -- and then gives the balance to Rutgers. Last year, that amounted to a \$607,033 payment out of \$3.9 million in sponsorship sales, according to Nelligan's most recent annual report.

By contrast, the University of Connecticut, one of Rutgers Big East opponents known for its high-profile men's and women's basketball teams, recently signed a 10-year deal with IMG College, a competing marketing firm, that will pay the school more than \$8 million a year up front. The sponsorship money comes directly to the school, which pays expenses from its operating budget.

Rutgers' own internal audits show funding through Nelligan enabled the school to supplement the football program and other sports by almost \$400,000 outside the university budget by charging expenses such as salaries, capital improvements and helicopter charters against sponsorship revenues owed Rutgers.

Additional documents show the relationship created an off-the-books fund used at the discretion of the athletics department that masked hundreds of thousands in other expenses. For example, Nelligan's most recent annual report included \$553,390 in "bartered services," in which advertising and sponsorship was traded for goods or services. That includes air charters and even Gatorade.

Rutgers still refuses to release key records to The Star-Ledger, despite months of litigation, claiming it would "provide a competitive disadvantage in the marketplace" to the school.

Details of the Nelligan contract were examined and confirmed by the special university panel, which was appointed by McCormick in the wake of stories earlier this year. Though the panel found no wrongdoing, it said Nelligan was used as a conduit for supplementing Schiano's salary "to achieve certain tax advantages and in order to avoid highlighting the overall value of his new compensation package."

Lawmakers, the university's own auditors and the National Collegiate Athletic Association have expressed concern that some schools keep the full costs of their athletics programs hidden. The problem, they say, is that it leaves the athletics department with no oversight.

The university's internal audit report concluded the athletics department lacked the ability to collect and reliably report critical financial information "to the president, CFO, the board and the public."

Assemblyman Sam Thompson (R-Middlesex) has called for the marketing contract to be voided. "It is imperative that the university initiate actions to correct the obvious accountability problems immediately within the athletic department and the Nelligan contract," he said.

When it comes to doing business off the books, Rutgers has plenty of company in the world of collegiate athletics. Hiding expenses has become so common that the NCAA two years ago began asking its members to include in their annual reports the full costs of things like utilities, facilities maintenance, loan interest and compensation. The suggestion is not mandatory and the association provides no instructions for calculating the figures.

THE STADIUM

Of all the bills Rutgers incurred to fund its football program, the biggest has yet to land: the \$102 million expansion plan for the school's stadium in Piscataway.

Newly obtained documents show the school rushed into the project with no marketing study and no certainty where it would get the money to build the structure. Driving the decision, the documents show, was concern that the only way to keep Schiano was to give him a bigger place to play.

Records show the game plan for expansion had been on the table since late 2004, when the Scarlet Knights were 4-7 and couldn't fill the stadium. The athletics department then retained Scott Radecic, a former NFL linebacker, to sketch out ideas for new seating, luxury boxes and club facilities. His firm had worked on the expansion of Penn State's Beaver Stadium when Schiano was an assistant coach there.

Visitors to Schiano's office would see color renderings of the proposed Rutgers Stadium expansion in his office to show recruits. But on the heels of Rutgers' most successful season in years, Mulcahy still was saying publicly that talk of expansion was premature.

"If we sell out the place next year . . . then you consider the next step," Mulcahy told reporters on Dec. 4, 2006, following a 10-2 regular season. "But it's wrong to say it's under consideration right now."

At the time, Schiano was being courted by at least two major universities. And interviews with Statehouse officials in recent weeks confirmed for the first time that the project was launched because Mulcahy was worried the school would lose its coach.

The day after the athletic director made his comment, Mulcahy met privately with Schiano and his agent, hammering out the terms of a contract extension that promised the school would expand the stadium in two phases, according to handwritten notes from the meeting.

Gov. Jon Corzine and Senate President Richard Codey (D-Essex) both say they were asked that month to intervene in an effort to convince Schiano to stay. In an interview, Codey recalled meeting with the coach at the Baltusrol Golf Club in Springfield. He said the talk centered around whether the state would get behind Schiano's vision for the stadium. Codey said ultimately both he and the governor committed state funding for the project.

"It was the right thing to do," Codey said.

A buyout clause guaranteeing the stadium expansion was subsequently incorporated in an addendum to Schiano's contract, documents show, over the objections of the university's chief financial officer.

His criticism was never brought to the attention of the board of governors and on Feb. 19, 2007, Mulcahy signed the agreement and gave it to Schiano to sign. Until The Star-Ledger began asking questions about the side letter in July, no one knew that Schiano kept the document, but never actually

signed it. Even after McCormick publicly confirmed the agreement, Mulcahy and Schiano were disputing it existed.

In the meantime, the stadium expansion was put on the fast track, construction records show. The project would include seats, luxury boxes, premium club seating, locker rooms and other enhancements. As the price tag on the plans climbed to \$130 million, Antonio Calcado, vice president of facilities, said they were forced to scale back on their vision.

Despite the financial restraints, the scale of the expansion continued to grow, minutes from construction meetings over the last two years show. The athletics department sought to have the south end zone addition engineered to accommodate a future upper deck, increasing total seating capacity to 72,000 -- as big as the Superdome in New Orleans.

In fact, the athletics department spent nearly \$5 million on planning, construction records show. That amount was spent in violation of university regulations, which require advance approval from the board of governors to spend more than \$2 million. The architects ultimately cut the project back to \$102 million by eliminating the luxury boxes. Rutgers planned to bond for the first \$72 million -- the maximum debt it could take on for the stadium to be self-funding -- leaving it with a \$30 million budget hole to fill.

The university had a choice -- raise ticket prices dramatically, or find the money elsewhere. The school expected that the state funding pledged by Corzine and Codey would cover the deficit, but that hope was dashed on election day in 2007. Voters handed Corzine a surprise defeat of his ballot initiative to borrow \$450 million to support stem cell research, making it politically impossible for him to justify putting state money into a football stadium.

The plan was only revived when Corzine announced he would raise the money privately.

The first phase of the project was completed in September, adding 968 premium seats and a club lounge. Trevor said last week that to date, 870 club seats have been sold.

The private fundraising plan, however, has faltered, raising a fraction of what will be needed.

At the same time, the cost of the project soared as steel and concrete expenses rose. Confidential construction minutes show that project managers were reporting budget overruns of \$12 million in June -- a month before university officials publicly conceded that bids had come in higher than anticipated. The school still refuses to say how much higher. The problem has only gotten worse as the international economic crisis has left Rutgers, like all other major borrowers, unable to issue bonds to pay for the project.

McCormick and his senior staff are now trying to decide how to scale back the project. Simply stopping the project until the economy rebounds, though, is not as easy as some have suggested. McCormick acknowledged that the second phase -- which will add the bulk of the new seats -- is key for paying for the entire project, including the work already completed.

Schiano, when asked, has insisted that the expansion must go forward.

"We've got a multimillion-dollar hole in the ground right now," the coach said at practice last month. "We've got to finish it."

THE FOOTBALL ARMS RACE

Rutgers' effort is being watched by education leaders around the country because it provides a rare chance to observe the growing pains a school endures as it tries to enter the ranks of such nationally recognized programs as Michigan, Ohio State and Penn State.

The costs of competing at that level -- bigger stadiums, bigger recruiting budgets, coaching contracts

that could pay the expenses of entire English departments -- are increasingly coming under scrutiny.

Nationally, average spending by Division 1-A athletics departments goes up by about 25 percent a year, according to NCAA figures released in October.

"It's clear that college sports has a spending problem that must be addressed," said William E. Kirwan, chancellor of the University System of Maryland and co-chairman of the Knight Commission on Intercollegiate Athletics, whose origins stem from the last great era of scandal in college sports two decades ago. The commission in October announced it would pursue a year-long examination of the economics of college sports.

The high-profile, money-making schools such as Penn State and Michigan are making more, but most other schools -- like Rutgers -- are losing more and the statistics say that trend is going to continue, causing what some experts are now terming a "crisis" in college sports.

McCormick said "there is no 'crisis' at Rutgers involving athletics spending." He added that while the university spends approximately \$50 million a year on athletics, it puts more than \$1 billion a year into student instruction, academic research, libraries and financial aid.

Andrew Zimbalist, a leading expert in college sports, said those sentiments are common. But the reality is that while Division 1-A football may be seductive, it usually is not worth the cost.

"There's a lot of potential glamour associated with being a Division 1-A football team," said Zimbalist, an economics professor at Smith College. "A lot of schools want to chase the holy grail. But by and large, it's not something that's been successful."

On Friday, the university's governing board is scheduled to convene for the first time since the commission issued its findings. McCormick said he plans to offer details on reform measures. Also to be discussed is the future of the Rutgers Stadium expansion project.

The university president, however, sees no pulling back from big-time football.

"I have no reason to think that the kind of success the elite programs have attained is beyond our power," McCormick remarked. "We're not there yet, however."