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Tuesday, May 31st, 2011 at 3:31 pm | 9 responses

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Breaking Down The CBA

Sports economists weigh in on the NBA owners' latest proposal.

by Kyle Stack / @KyleStack

The NBA Finals are here and with the commencement of the last round of the postseason, that and the Draft are the only remaining major events before the league's Collective Bargaining Agreement expires at midnight July 1st. Unless you consider blatant posturing to be an event, which it could very well become given the cantankerous relations between the NBA owners and the Players Association.

The two sides have had a salty relationship; not much has changed after the owners' latest proposal, the details of which were noted in an April 26 memo the Players Association delivered to its players, as reported by *SportsBusiness Journal* May 16. The features of the owners' proposal, which the players rejected, were as follows:

–The implementation of a “hard” salary cap of \$45 million, which would represent a nearly 25 percent reduction in the cap from its 2010-11 value of \$58.044 million

–The removal of fully guaranteed contracts under which a player wouldn't be guaranteed more than 50 percent of a per-year salary up to \$8 million and no more than 25 percent for any amount beyond \$8 million

–A decrease in the maximum money and years for which a free agent can sign a contract. A qualified veteran free agent, also known as player who qualifies for the Larry Bird Exemption, would be able to re-sign a deal with his team for no more than four years and would have annual salary increases of no greater than 3 percent. These players can re-sign for up to six years with annual salary increases up to 10.5 percent under the current CBA rules. (A player currently must go three consecutive seasons without being waived or signing a contract as a free agent to qualify as a “Bird” rights player, although that could be subject to change under a new CBA.)

Likewise, a free agent signing with a new team would be able to sign a deal for no more than three years with annual salary increases of no more than 2 percent. These players can sign for up to five years with annual salary increases up to 8 percent under the current CBA rules.

–The assignment of NBA players into four categories: Category A (a minimum salary player), Category B (a rookie wage scale player), Category C (a maximum salary player) and Category D (a player trying to fit onto a roster for whatever money remains after the players in Categories A, B and C are accounted for).

There are more additions to the proposal. A May 11 SI.com report outlined the framework for the NBA's version of a franchise tag, a team-friendly tool used in the NFL to keep a star player on a squad. The NBA's version, as explained in the report, would differ from the NFL's tag in that the player would have to give his blessing for the team to “franchise” him based on an unspecified set of contract enhancements that only that team could hand out.

An ESPN.com report on May 12 noted other features



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within the proposal, including a reduction in pay for the league's rookie scale, the elimination of sign-and-trade agreements and a one-time amnesty provision that permits each team to say goodbye to one player's contract. The report also stated that the proposed hard salary cap wouldn't take effect until the 2013-14 season.

(A synopsis of the previous paragraph. The elimination of the sign-and-trade might seem odd given that smaller market teams can benefit from it. After all, the [Toronto Raptors](#) and [Cleveland Cavaliers](#) each acquired a \$14.5 million trade exception from Miami for [Chris Bosh](#) and [LeBron James](#), respectively. Yet the sign-and-trade is also a roundabout way for a team to acquire a star player if it doesn't have enough cap room to sign him outright. Plus, it affords the star to max out the salary possibilities available to him.

The amnesty provision was first applied in 2005 for teams to avoid paying the luxury tax on one player's fat contract, even though the team still had to pay the player's salary; it's known casually as the "Allan Houston provision" since it was Houston's bloated \$120 million contract with the [New York Knicks](#) that inspired the clause.)

While the franchise tag, sign-and-trade rule and amnesty provision are intriguing and surely deserving of their own stories at some point, this story will focus on the issues outlined in the *SportsBusiness Journal* report.

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9 Responses to "Breaking Down The CBA"

mohi Posted: May.31 at 4:08 pm
first

Rigo Gonzalez Posted: May.31 at 4:34 pm
This is the most informative piece I've read on the proposed CBA yet. Really not hard to understand why the players turned down the latest proposal.

IndyB Posted: May.31 at 5:04 pm
Profit Sharing?

rich Posted: May.31 at 6:04 pm
this wont keep players in small market teams, this makes even less of a reason to stay in a small market town. the only reason small market teams keep their stars is because they can go into the cap to grossly overpay them, i think if they couldnt afford that big deal joe johnson would be a bull right now for example. i think players will take less money to play in bigger markets where they can earn tons of revenue outside of basketball, look at that sheet stuff lebron came up with, that wouldnt sell well if it was based in oklahoma, but in miami la or ny it would. this is gonna backfire stern

Double J Posted: May.31 at 7:48 pm
I have to say, incredible post. Greatly appreciate seeing something like this considering we are all teetering on an NFL-like lockout of our most praised sport.

Ben Osborne Posted: May.31 at 11:40 pm
Kyle did a great job as usual. Seems like the owners should figure a lot of things out before they ask the players for so many concessions.

what Posted: Jun.1 at 1:00 am
Great post. I agree with everything the economists said except the last line. The NFL has not traded excellence for mediocrity; they have traded excellence for a handful of elite teams for excellence across the league, which has worked perfectly for them. The NBA is not in the position to do the same thing, because the talent pool for basketball is not as deep as the talent pool for football, in large part because basketball requires taller players who comprise a smaller percentage of the general population. I'm glad someone

pointed out the unintended consequence of limiting player salaries and implementing a hard cap. If player salaries decrease, endorsement money starts comprising a larger share of a star player's total earnings, which only increases the value of moving to a big market. And I wouldn't be surprised if David Stern fully knows this and is asking for these concessions for that very purpose of enticing stars to go to big markets in larger numbers.

LeBron de Con Posted: Jun.1 at 1:13 am

pay me foo, imma big fuc

omphalos Posted: Jun.1 at 7:27 am

That amnesty thing sounds interesting, am I right in saying each team gets to nullify one players contract? Could be a nice solution to give some teams a chance to fix up their mistakes, whilst not really hurting the good teams. I can see Joe Johnson getting wiped somehow.

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