Center for American Progress

NFL Negotiations 101

A Primer on the NLF Player-Owner Contract Dispute

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What are the issues in the contract dispute between the owners and players?

The primary issue is how to divide up the money the league generates. Players currently receive 59 percent of total foolball revenues, and owners get the rest.

Owners argue that 59 percent of total revenues is too much and say they need a greater share to help the league grow. "Clubs must spend significant and growing amounts on stadium construction, operations, and improvements to respond to the interests and demands of our fans," the owners wrote on the league website. "As a result, under the terms of the current agreement, the clubs' incentive to invest in the game is threatened."

NFL players note that the league and its owners have prospered immensely under the current labor contract. As the NFL Players Association Executive Director DeMaurice Smith argues, "We do know the NFL generated in excess of $8 billion last year. We know that the average team has grown by 400 percent in 10 years. What we don't understand is what is wrong with the current deal when those facts exist."

What happens if there is no agreement?

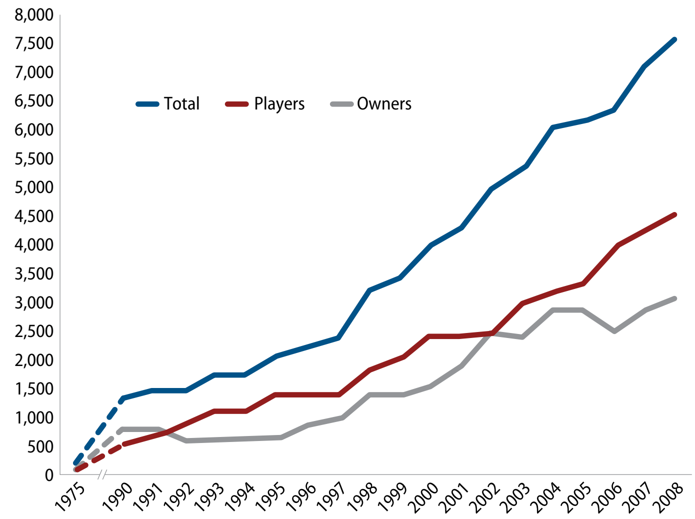
The NFL (the owners) and the NFL Players Association (NFLPA or the players) have until March 5 to agree to an extension of the current collective bargaining agreement or draft a new agreement that both sides can agree to. If this deadline passes, there will be a few noteworthy ramifications for the 2010 NFL season, termed the "Final League Year" in the current agreement:

1. There will be no salary cap and no salary floor. This means that teams can spend as much or as little on their rosters as they please. This could significantly alter the competitive balance in the league because current rules keep the amount that teams spend on players in rough parity.

2. Free agency will be substantially restricted. For example: A player would typically be able to freely market his services as an "unrestricted" free agent after four years of service with his team. But if the contract expires, a player would instead need six years to have such freedom. Any fewer years of service would make him a "restricted" free agent when his contract expires, meaning his current team can match any offer he receives and must be compensated if he leaves.

Teams will be able to protect more players who would otherwise be unrestricted free agents. Teams can use "tags" to designate certain high-value free agents as "franchise" or "transition" players to limit their ability to sign with another team. A franchise tag ensures that a player's current team is compensated with two first-round draft picks if he signs with another team, whereas a transition tag only ensures that a team will have the opportunity to match any offer that a chosen player receives. In normal years, a team can only use one of these tags for its roster. But in an uncapped year teams will be able to use one of each, meaning that up to two players will be subject to restrictions instead of only one.

Strong NFLPA ensures fair share for players since early '90s



Source: 2007-2008: Forbes NFL Team Valuations. 1990 to 2006: John Vrooman, "Theory of the Perfect Game." 1975 to 1989: Data is incomplete. Estimates compiled from Gerald Scully, "Player Salary Share and the Distribution of Player Earnings", and John Vrooman, "Theory of the Perfect Game."

The final eight teams from the 2009 playoffs will be limited in the number of free agents they may sign. The top four—the Saints, Colts, Jets, and Vikings—cannot sign a free agent until they lose a player to another team. Even then, any player these four teams sign cannot receive a higher first-year salary than the player they lost receives from his new team. The other members of the final eight—the Ravens, Chargers, Cardinals, and Cowboys—also have to wait until one of their players signs with another team before they can add a free agent. But these teams have more leeway in paying free agents independently of the players they lost. The remaining 24 teams can spend as much or as little as they want in the free agent market.

3. Active player benefits may be reduced in some instances. Clubs will no longer be obligated to fund benefit programs such as 401(k)s, severance pay, and some performance-based pay.

Beyond 2010: The final deadline for the NFL and NFLPA to agree to a new contract is March 2011. If this deadline passes, it is highly likely that there will be a lockout initiated by the owners. Such a lockout will not prevent the 2011 NFL Draft, but there will be no actual season until an agreement is reached or replacement players are employed.

Which side is right?

Without knowing all the confidential details, it is hard to tell. It is clear, however, that collective bargaining—meaning negotiating together as part of a union—has worked quite well for both players and owners. The basic structure of the current agreement between players and owners was first hammered out in 1993 and established free agency, a salary cap, and revenue sharing across teams. Since then, league revenues have grown by 10 percent or more in most years, rising from $1.7 billion in 1993 to $7.6 billion in 2008.

Even more striking is the fact that a stronger NFLPA has ensured that players receive their fair share of the revenue pie. Players received only 30 to 40 percent of league revenues in the 1970s and 1980s. Even as recently as 1990, players took home only 41 percent of revenues. But players have received no less than 50 percent of league revenues since the 1993 collective bargaining agreement ushered in a new era of shared gains, and both sides have prospered under the agreement.