

BEST PRACTICES FOR SPORT LEAGUE CBAS

by

ETHAN J RICE

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Approved: Joshua Gordon, Program Manager/Senior Instructor 1 of SBUS
Primary Thesis Advisor

Across professional sports, players typically unionize and collectively bargain with team owners to construct an agreement as to how revenue will be shared and how the league will operate. These agreements largely dictate all decisions the league makes or will be able to make until it expires, and an agreement is either renewed or renegotiated.

This paper will attempt to analyze what byproducts of collective bargaining amongst the players and owners affect long term potential for profit. By identifying league strategies that increase total revenues, both parties can mutually benefit from the shared growth of their organization. Understanding what provisions and strategies are mutually beneficial or harmful may allow negotiation to shift away from owners and players lobbying against each other and towards cooperation for mutual gain. The potency of these agreements makes prudent an evaluation of popular mechanisms and ideas.

A broad array of aspects of collective bargaining will be considered such as salary cap structure, drug enforcement, revenue distribution, contract restrictions, and scheduling. Mechanisms will be evaluated weighing their resulting incentive structures, financial costs, observed revenues, fan approval, and theoretical sustainability. Clarity, prominence, and sport-transcendence will be considered individually for each structure in determining their relationship to long term value creation. Each mechanism or trend considered will be identified and explained in the first section of this paper before a later evaluation of benefits, costs, and important considerations for implementation.

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Introduction

Antitrust Considerations

Antitrust legislation in the United States plays a crucial role in maintaining a competitive marketplace by preventing anti-competitive behavior, which could otherwise lead to monopolies, price-fixing, or restraints of trade. The Sherman Antitrust Act, enacted in 1890, is a federal statute that prohibits activities that restrict interstate commerce and competition in the marketplace. A violation of the Sherman Act can lead to significant penalties, both criminal and civil. For example, it forbids entities from conspiring to set prices at a certain level, a practice known as price-fixing.¹

The Clayton Act, passed in 1914, expanded upon the Sherman Act. It particularly targets corporate behaviors that could potentially lead to monopolies or stifle competition, such as exclusive dealing agreements and mergers or acquisitions that could "substantially lessen competition".² However, CBAs in sports leagues, although they involve collective decision-making that could seem to contradict the spirit of antitrust legislation, typically do not violate these laws. The reason for this lies in both statutory and non-statutory labor exemptions.

The statutory labor exemption arises from federal labor laws, particularly the National Labor Relations Act (NLRA) of 1935. This Act guarantees employees the right to form a labor union and obliges employers to engage with a duly-elected union as the representative of the employees.³ The NLRA effectively sanctions collective action by employees, thereby creating a legal space for collective bargaining agreements.

1 <https://sportslaw.uslegal.com/antitrust-and-labor-law-issues-in-sports/>

2 <https://sportslaw.uslegal.com/antitrust-and-labor-law-issues-in-sports/>

3 <https://www.nlr.gov/guidance/key-reference-materials/national-labor-relations-act#:~:text=The%20NLRA%20protects%20workplace>

Additionally, non-statutory labor exemptions have been developed through various court decisions over time, acknowledging the potential for conflict between antitrust and labor laws. It provides protection for collective bargaining activities relating to mandatory subjects of bargaining, such as wages, hours, and other terms and conditions of employment, so long as they are the result of arm's-length bargaining. Precedents generally allow players' associations and league owners to negotiate CBAs without running afoul of antitrust laws. However, the freedoms of collective bargaining are not without some limitations. For example, in the 1976 case of *Mackey v. NFL*, the court ruled that the NFL's "Rozelle Rule", which required adequate compensation to a player's former team when he signed with a new team, was an unreasonable restraint of trade. However, this ruling did not eliminate the statutory labor exemption, but instead clarified its limits.⁴

Collective decision-making inherent in CBAs may intuitively seem to be at odds with antitrust laws; however, these exemptions exist to promote effective operation and labor relations of sports leagues without violating antitrust legislation.⁵

On the Definition of "Long Term Value"

While closely related, negotiation strategies may yield slightly different results if measured in expected utility as opposed to expected value. Over the course of this paper, expected value, in financial profits, will be used as the operational definition of value creation. This is primarily because of its ability to be examined more definitively and in more quantifiable terms. Players, and all stakeholders involved, will have varying degrees of preferences for many priorities such as player safety, minimized travel time, aesthetics of the game, and so on. The

4 <https://casetext.com/case/mackey-v-national-football-league>

5 <https://sportslaw.uslegal.com/antitrust-and-labor-law-issues-in-sports/>

purpose of this paper is not to determine what stakeholders ought to desire. Rather, it is to identify how strategies in pursuit of stakeholder priorities impact earnings. These strategies' relationship to earnings will thus be measured in expected value.

Practical Considerations for Implementation Regarding Utility

Both for purposes of real world implementation and delineating what the scope of this paper is and is not, several caveats centered around potential differences in expected utility are worth noting.

Disparaging utility of income likely arises in sport leagues due to the relative wealth of owners being much larger than that of players. Arguments for player-favored earning distributions might be made surrounding the utility of wealth to "billionaire owners" but litigating the desire of negotiating parties to accrue wealth nor its morality is not the purpose of this paper. The paper seeks to demonstrate how earnings can be generated and ultimately split between owners and players while making no judgment as to which is "fair" or "best" in any non-specific sense.

However, player unions may find considerations of expected utility to be worthwhile. For example, as will be discussed, it is likely relevant when negotiating for increased maximum or minimum contract thresholds. Players unions will generally be interested in acquiring raises to both minimum and maximum contracts. However, player unions do not operate with unlimited bargaining power and will often have to choose between differing degrees of compromise between competing bargaining points. In accordance with a theory of the diminishing marginal utility of money, any given sum of money paid to players would theoretically increase total utility more greatly when distributed amongst a greater number of players. Far more players sign minimum contracts than maximum. Furthermore, minimum contracts likely represent a much

larger portion of a given players' personally accrued wealth than do maximum contracts. Insofar as player unions must accept a trade off between minimum and maximum salaries, it then makes sense that prioritizing increased minimum salaries or similar mechanisms as opposed to maximum thresholds would maximize theoretical utility. Trade-offs such as these may be relevant to consider in addition to the value creation attempted to capture during the scope of this paper.

Utility maximization is theoretical and is difficult to measure precisely. Following logic of expected utility doesn't necessarily imply a fairness of the practice, either. The usefulness of the principle was sufficient to warrant crevicing this paper with the inclusion of an example, but unless otherwise noted, the rest of the paper will deal with long term value creation in terms of expected financial value, not personal utility.

On Time Horizons:

CBA's are renegotiated every several years but changes to league rules and structure can impact the success of a league or even sport many years into the future. Revenues will be a point of major focus in analyzing long term impact but the relationships between collective bargaining decisions and revenues will not necessarily be well reflected by the years in which a given agreement or mechanism is in place. The effects of some strategies may be delayed while others will be more quickly noticed. This is important to consider when evaluating a policy or rule's effect.

Due to the highly convoluted nature of the relationships governing the many, many variables that impact league earnings, precise time discounting would be difficult to mathematically calculate. However, all subjective analysis should be made with some

consideration of the time value of money and all negotiating parties' interest in receiving money sooner. This is an especially relevant caveat for players' unions to weigh. As these unions are often comprised of players whose careers might not last long enough to benefit from future earnings. The NFL exemplifies this predicament well, where the average length of a player's career is 3.3 years.⁶

Statistical Contextualization

Sports league revenue poses challenges for statistical exploration due to several factors. Firstly, the limited number of major sports leagues results in small sample sizes, limiting the statistical power of analyses. Additionally, revenue drivers vary across sports due to the contextual differences between them. For instance, the considerations for injuries in American football differ from those in tennis. Furthermore, the presence of numerous confounding variables complicates the identification of statistically significant impacts. When examining outcomes like gate revenues, accounting for variables such as fan base size, competitive factors, public relations, media interactions, and league format becomes prudent. Moreover, the short-term nature of implemented practices, often spanning no more than a few years at a time, makes it challenging to discern causal relationships as leagues may resultantly succeed or falter during or after implementation of specific practices.

Because of the high number of explanatory variables and comparatively small sample sizes, only very strong correlates will be statistically significant. They are strong evidence-based signals amongst a field of arguments most of which will necessarily be based upon theory and reasoning. However, that doesn't mean that they capture the full picture of what leagues ought to

⁶ Gough, Christina. "Average NFL Career Length." Statista, 11 Jan. 2023, <https://www.statista.com/statistics/240102/average-player-career-length-in-the-national-football-league/>.

follow. The inability to find correlation may not be due to the lack of an underlying causal relationship so much as further factors including the complicating realities that:

- Studies may observe legitimate intraleague effects, such as team to team within MLB, but may not necessarily be true across leagues.
- In statistics, the minimum thresholds of instances of unique outcomes measured is hard to achieve when major sports leagues are already few in number and often employ similar mechanisms to each other. (No counterfactual data)
- Almost no experiments are run to isolate variables, it is almost entirely observational data.
- Many would-be phenotypic expressions of a variable are hard to define without subjective discretion, such as salary cap classifications.
- Many measurements of variables are hard to quantify with any level of precision, such as player empowerment.

Given the difficulties described above, we must pay strong attention to effects that are found to be statistically significant. Though we must also remain willing to provide plentiful, yet rigorous, consideration to arguments that, irrespective of their validity, are inherently problematic to vet statistically. It is important to approach these sorts of arguments with an open mind and a willingness to thoroughly consider them with ample attention and scrutiny.

Conducting rigorous analysis and examining alternative forms of evidence, such as expert opinions and logical reasoning, may unlock valuable insights and perspectives that contribute to an enhanced overall understanding of the subject matter.

When comprehensive evidence is unattainable, we must substantiate the validity of individual components of an argument rather than the surface of the argument. For example, if direct observation of a contract mechanism's impact on total revenue is infeasible, it is possible to logically deduce whether the mechanism would foster something such as perceptions of fairness. In turn, seeking evidence that supports the relationship between perceptions of fairness and revenue can serve as a valuable alternative approach.

Success Despite Imperfection

The NFL serves as an example of how a league may remain extremely profitable despite rising levels of controversy and even possibly when actively mishandling issues. Profit levels in a given time period are a reflection of many years of factors affecting a sport and league's popularity. The NFL has dealt with many issues concerning racial justice, political protests, and player safety but despite this, the NFL has seen incredible profits. During the 2019 season, the 32 teams within the league generated a record average operating profit of \$109 million, which was a 7% increase from the previous season.⁷ In the fiscal year ending March 31, 2021, the NFL earned about \$9.8 billion in national revenue, further showcasing the league's growing profitability.⁸

Uncertainty may exist as to whether any given issue or concern will affect the leagues bottom line in the future but it is clear that observing short term profits does not reveal the answer. To maintain its profitability and reputation, the NFL, as with any league, must be adaptable and responsive to the changing factors such as the landscapes of public opinion and evolving sports science. As Roger Goodell's quote suggests, "Only the paranoid survive,"

⁷ <https://www.forbes.com/sites/forbespr/2020/09/10/forbes-releases-23rd-annual-nfl-team-valuations/>

⁸ <https://www.investopedia.com/articles/personal-finance/062515/how-nfl-makes-money.asp>

implying that constant vigilance and a willingness to evolve are key to the league's past and future success.⁹

The following section will outline and describe twenty-one mechanisms, trends, and policies that leagues have employed. Examples of their implementation will be described for the purposes of understanding and differentiating differing approaches and strategies. Other leagues are often referenced to outline specific principles or examples but for a diverse variety of perspectives, seven leagues are routinely discussed, the NBA, WNBA, NFL, NHL, MLS, MLB, and EPL. The subsequent section will evaluate the ideas previously outlined for their prospective benefits, downsides, and considerations relevant for optimal implementation.

⁹ <https://www.bloomberg.com/news/features/2018-09-13/nfl-makes-more-money-than-ever-and-things-have-never-been-worse>.

Identifying League Trends and Structures

Revenue Expansion Opportunities and Governance

1. League Level Decision Making

Board of Governors

A Board of Governors is a body that oversees the management and decision-making processes within professional sports leagues. They are responsible for making crucial decisions regarding league rules, regulations, expansion, and other significant matters that affect the league as a whole. Comprising representatives or owners from each of the teams in the league, they play an essential role in shaping league policies and ensuring the league's long-term success. In various sports leagues, the Board of Governors may go by alternative titles, such as Owners' Council, Board of Directors, or Executive Committee. This is standard practice in North American sport leagues as seen by the NBA, WNBA, NFL, NHL, MLS, and MLB, among others.

Theoretically, the Board of Governors contributes to long-term value creation by facilitating effective decision-making, providing diverse perspectives from various teams, and ensuring the league's sustainability and growth. By pooling the knowledge, experience, and expertise of team owners or their representatives, the board can make informed decisions that benefit the league collectively. They are responsible for strategic planning, financial management, and setting the direction of the league, which, in turn, helps create value for the teams, players, and fans.

While the EPL does have shareholder meetings that represent their clubs equally in a similar fashion to major north American sport leagues, they have a more centralized power structure that differentiates them. The Premier League is a company owned by 20 Member Clubs

and The FA. Each individual club is an independent entity but works within the rules of football, as defined by the Premier League, The FA, UEFA, and FIFA. Each club holds a single share, giving them an equal vote on all matters and a right to the distribution of broadcast and commercial revenues.¹⁰ Shareholder meetings are held to make decisions on Premier League policy, with each Member Club entitled to one vote. The Premier League Rule Book serves as a contract between the League and Member Clubs, including expected levels of conduct by clubs, the terms on which the competition is organized, and minimum standards of governance and operation. The Premier League Board, which manages the affairs of the Premier League, currently comprises a Chair, three Independent Non-Executive Directors, and the Chief Executive, with a wide range of roles and responsibilities under the Premier League Rules.¹¹

Commissioner

A commissioner is a high-ranking executive responsible for managing and governing a league. They oversee various aspects of the league, including operations, marketing, discipline, and dispute resolution. The commissioner represents the interests of the league and its owners while maintaining the integrity and competitive balance of the sport. Most major professional sports leagues have a commissioner or an equivalent role but there exists a variation in their individual authority.

Such is well observed between a comparison of the NFL's Roger Goodell and the NBA's Adam Silver. Both leagues have a commissioner, but the extent of their authority and the decision-making processes in each league vary. In the NFL, Commissioner Roger Goodell possesses a wide range of powers, particularly in disciplinary matters. He can impose fines,

¹⁰ <https://www.premierleague.com/about/governance>

¹¹ <https://www.premierleague.com/about/governance>

suspensions, and other penalties on players, coaches, and team personnel for conduct detrimental to the league. Goodell's authority has often been the subject of controversy, with critics arguing that he wields too much power and that his decisions are not always consistent or transparent. He has been infamously described as “judge, jury, and executioner”.¹² However, his extensive powers are supported by the NFL's constitution and bylaws.

In contrast, NBA Commissioner Adam Silver's powers, while still substantial, are relatively more limited compared to Goodell's. Silver is responsible for upholding the NBA's constitution and bylaws, overseeing league operations, and managing relationships with various stakeholders. However, the NBA's disciplinary process involves more input from other parties. For instance, the NBA's Competition Committee, consisting of team owners, general managers, and coaches, plays a significant role in shaping the league's rules and policies.¹³ Additionally, the NBA Players Association (NBPA) has a role in negotiating and implementing disciplinary measures and other league matters, which provides a system of checks and balances.

Players Association

Players associations, also known as players unions, are organizations that represent the interests of professional athletes within a particular league. They negotiate on behalf of the players in areas such as wages, benefits, and working conditions. Players associations also work to protect the rights of athletes and provide them with a collective voice in their dealings with league management and team owners.

¹² <https://bleacherreport.com/articles/1151457-why-the-nfl-cant-survive-with-roger-goodell-as-judge-jury-and-executioner>

¹³ <https://theathletic.com/4075742/2021/11/02/nba-competition-committee-wants-rule-change-for-take-fouls-sources/>

Players associations play a necessary role in the collective bargaining process, as they enable athletes to have a unified voice when negotiating with league management and team owners. By pooling their resources and operating collectively, players can more effectively advocate for their interests and secure better working conditions, compensation, and benefits. Players associations play an integral role in achieving a balanced and equitable relationship between athletes and the leagues they compete in, promoting fair labor practices and safeguarding the welfare of individual players within the sports industry.¹⁴

Players associations are prevalent in many professional sports leagues, including the seven leagues this paper will routinely reference: the NFL, NBA, NHL, MLB, MLS, EPL, and WNBA. The power and influence of these associations vary across leagues, but they generally play a significant role in shaping league policies, labor agreements, and other aspects of player welfare.

In the four major North American sports leagues (NFL, NBA, NHL, and MLB), players associations have a long history and wield considerable power. The MLB Players Association, founded in 1954, is the oldest of the four, followed by the NFL Players Association (1956), the NHL Players Association (1967), and the NBA Players Association (1964).¹⁵ These players associations have played a critical role in crafting CBA mechanisms within their respective leagues, including the establishment of free agency, revenue sharing, and other key elements of player contracts.

The WNBA and MLS both also have players associations that negotiate on behalf of their players. Established in 1998, the WNBA Players Association has been instrumental in securing improved compensation, benefits, and working conditions for WNBA players through collective

14 <https://theaggie.org/2019/10/29/power-to-the-player/>

15 <https://libguides.rutgers.edu/c.php?g=336678&p=2267003>

bargaining agreements. Similarly, the MLS Players Association, founded in 2003, has also negotiated multiple collective bargaining agreements with the league, reflecting the growing bargaining power of players in American sports and improving athlete compensation, working conditions, and benefits.

In European soccer, players associations are also common, although their structure and influence can differ from those in North American leagues. The English Professional Footballers' Association (PFA), established in 1907, represents players in the EPL and other English leagues. Similarly, the Spanish Association of Footballers (AFE) represents players in La Liga and other Spanish leagues. These organizations work to protect players' rights, but their influence in shaping league policies may be limited compared to their North American counterparts due to the complex nature of European soccer governance, with multiple domestic and international governing bodies.¹⁶

Players associations' emergence and rise to prominence have been driven by the need for collective representation in labor negotiations and ensuring fair treatment of players. While the power and influence of these organizations vary depending on the league and sport, they remain an integral part of the professional sports landscape, contributing to the ongoing evolution of player rights, compensation, and working conditions.

League Office

Professional sports leagues have adopted comprehensive front office structures to ensure the smooth functioning of their operations, competitive balance, and adherence to rules and

¹⁶ <https://www.sportico.com/leagues/other-sports/2022/pro-leagues-market-power-in-us-europe-1234686911/>

regulations. Across various leagues there has been a trend towards broadening centralized power structures to perform essential functions in league-wide offices and departments.

These league offices typically handle responsibilities that individual teams should not be trusted with for the sake of maintaining competitive balance and fairness. For instance, scheduling games, imposing disciplinary decisions, and enforcing rules are tasks thought to be better managed at the league level. Furthermore, not all responsibilities can be addressed during the negotiation of CBAs, necessitating ongoing league-wide oversight.

Leagues have varying department titles and roles but generally all have significant league wide infrastructure in place. The NBA has a dedicated league office to manage roles such as marketing, security, emerging technology, and law.¹⁷ In MLB, the league office structure is governed by the Major League Baseball Constitution, which has been revised multiple times to adapt to changing needs.¹⁸ The EPL is operated as a corporation with its member clubs as shareholders, managing various departments including football, coach development, community, broadcast, commercial, and policy.¹⁹ Leagues often establish various departments to manage specific responsibilities and ensure efficient operations. Some examples of key departments include:

- Sport Specific Operations: This department is responsible for enforcing rules, developing and implementing game policies, and maintaining sportsmanship standards. In the NFL, for example, there is a Football Operations team led by the Executive Vice President.²⁰

17 <https://basketball.realmgm.com/nba/staff-members/0/League-Office/Current>

18 https://www.liquisearch.com/major_league_baseball/organizational_structure

19 <https://www.jpcafagnini.com/organizational-analysis-governance-english-premier-league/>

20 <https://www.theofficialboard.com/org-chart/national-football-league>

- Marketing and Communications: This department handles the promotion of the league, manages public relations, and oversees media partnerships. The NBA, for example, has a dedicated communications department within its league office.²¹
- Broadcast and Commercial: This department negotiates and manages media rights deals, advertising partnerships, and sponsorship agreements. In the EPL, the broadcast and commercial departments are responsible for maximizing revenues and ensuring fair distribution among member clubs.²²
- Youth and Coach Development: This department focuses on nurturing talent, developing coaching programs, and supporting grassroots initiatives. The EPL has dedicated departments for youth development and coach development.²³
- Legal and Policy: This department oversees the negotiation of CBAs, handles legal matters, and ensures compliance with league rules and regulations. The MLB, for example, has a legal department governed by the Major League Baseball Constitution.²⁴
- Community and Social Responsibility: This department manages philanthropic initiatives, promotes social causes, and fosters community engagement. The EPL, for instance, has a community department that focuses on these aspects.²⁵

21 <https://basketball.realm.com/nba/staff-members/0/League-Office/Current>

22 <https://www.jpccarfagnini.com/organizational-analysis-governance-english-premier-league/>

23 <https://www.jpccarfagnini.com/organizational-analysis-governance-english-premier-league/>

24 https://www.liquisearch.com/major_league_baseball/organizational_structure

25 <https://www.jpccarfagnini.com/organizational-analysis-governance-english-premier-league/>

2. Expanding Number of Games and Calendar Duration of Season

Over the years, professional sports leagues have shown a tendency to expand the number of games in their regular seasons. Expansion has been driven by the thought that doing so would lead to gains in revenue by increasing ticket sales and garnering larger television deals.

The NFL has expanded its regular season twice, from 14 to 16 games in 1978 and then to 17 games in 2020. The league is also currently considering further expansion to 18 games as soon as 2025.²⁶ MLB has also experienced an increase in the number of regular-season games. In 1961, the season consisted of 154 games, but the American League expanded to a 162-game season in 1962, which the National League also adopted. The NBA expanded its regular season from 80 to 82 games in 1967. The 2021-2022 season marked the return to the 82-game schedule after two abbreviated seasons due to the COVID-19 pandemic.

In contrast, the EPL decreased its regular season from 42 to 38 games in 1995. This reduction was aimed at decreasing fixture congestion and improving the overall quality of play in the league. It demonstrates that not all leagues focus solely on expansion and that other factors, such as player welfare and competition quality, also can play a significant role in determining league structures.

The WNBA and MLS have maintained stable regular-season schedules since their respective inceptions in 1997 and 1996. Both leagues have opted for a 34-game regular season, and maintained their status quo since. The NHL expanded its regular season from 70 to 84 games in 1967, then reduced it to 80 games in 1995. The league currently stands at an 82-game regular season.

²⁶ <https://www.cbssports.com/nfl/news/nfl-already-aiming-for-future-18-game-schedule-perhaps-as-early-as-2025-per-reports/>

Trends indicate that professional sports leagues have generally opted for slight expansion of their season over time, with the EPL as a notable exception. Leagues sometimes have decreased the duration of their season - often for logistical reasons. Generally though, schedule expansion has primarily occurred to generate additional revenue through ticket sales and broadcasting rights. However, in recent years critics have increasingly argued that there is an upper end to the amount of games that can be played before experiencing negative side effects from fatigue and decreasing performance quality²⁷.

Resultantly, sports leagues generally have implemented measures to reduce the number of back-to-back games and simplify travel, such as limiting the number of consecutive games on the road and reducing the number of long-distance trips.²⁸ Constraints regarding number of games and frequency of games lend themselves toward consideration of not only the number of games that take place in a season, but also the number of days, or calendar duration of a season.

As sports leagues continue to expand and add more teams, scheduling games becomes increasingly complex. With the need to balance various factors such as time constraints, logistical constraints, and fairness, sports leagues are turning to advanced technologies to aid in the scheduling process. One such technology is constraint programming, a mathematical technique that helps optimize schedules based on constraints and rules.²⁹ The shorter the duration of a season, the more difficult it can be to meet these constraints and maintain equally difficult/fair schedules for all teams involved.

27 <https://www.sportsperformancebulletin.com/injuries-health/fixture-congestion-in-sport-whats-the-damage>

28 Hung, Jason Chi-Shun et al. "Adaptive mechanism for schedule arrangement and optimization in socially-empowered professional sports games." *Multimedia Tools and Applications* 74 (2015): 5085-5108.

29 Kendall, Graham, et al. "Scheduling in Sports: An Annotated Bibliography." *European Journal of Operational Research*, vol. 259, no. 3, 2017, pp. 801–17, doi:10.1016/j.ejor.2016.10.013.

Sports Leagues have limited ability to increase the duration of their season due to preexisting television contracts, red tape of collective bargaining, scheduling conflicts with other venues and competing sports' prevalence during other times of year. Players are also generally resistant to an increased duration of seasons. Major sports leagues have marginally increased their number of games over time but calendar duration has remained largely stagnant over time.³⁰

The following list displays several leagues current duration of season, number of games per season, and subsequent days per game per team:

Currently:

- Basketball:
 - NBA: 170 days (82 games per team, 2.07 days per game per team)
 - WNBA: 119 days (32 games per team, 1.86 days per game per team)
 - Australian NBL: 140 days (28 games per team, 2.5 days per game per team)
- American Football:
 - NFL: 147 days (16 games per team, 9.19 days per game per team)
 - XFL: 79 days (10 games per team, 7.9 days per game per team)
 - CFL: 132 days (18 games per team, 2.83 days per game per team)
- Hockey:
 - NHL: 186 days (82 games per team, 2.27 days per game per team)
 - KHL: 254 days (62 games per team, 4.1 days per game per team)
 - SHL: 225 days (52 games per team, 4.32 days per game per team)

30 Kendall, Graham, et al. "Scheduling in Sports: An Annotated Bibliography." *European Journal of Operational Research*, vol. 259, no. 3, 2017, pp. 801–17, doi:10.1016/j.ejor.2016.10.013.

- Baseball:
 - MLB: 186 days (162 games per team, 1.15 days per game per team)
 - NPB: 180 days (143 games per team, 1.26 days per game per team)
 - KBO: 198 days (144 games per team, 1.38 days per game per team)
- Soccer:
 - EPL: 279 days (38 games per team, 7.34 days per game per team)
 - La Liga: 266 days (38 games per team, 6.99 days per game per team)
 - MLS: 255 days (34 games per team, 7.5 days per game per team)
 - CFL: 126 days (14 games per team, 9 days per game per team)

Schedule Info Sourced From:

- NBA: <https://www.nba.com/schedule>
- WNBA: <https://www.wnba.com/schedule/>
- Australian NBL: <https://nbl.com.au/>
- NFL: <https://www.nfl.com/schedules/>
- XFL: <https://www.xfl.com/>
- CFL: <https://www.cfl.ca/schedule/>
- NHL: <https://www.nhl.com/schedule>
- KHL: <https://en.khl.ru/calendar/>
- SHL: <https://www.shl.se/spelschema>
- MLB: <https://www.mlb.com/schedule>
- NPB: <https://npb.jp/games/2022/>
- KBO: <https://www.koreabaseball.com/Schedule/Schedule.aspx>
- La Liga <https://insidersbettingdigest.com/soccer/la-liga/schedule/>

3. Expanding Number of Franchises

In international soccer leagues, the typical number of teams can vary depending on the country and the specific league. In many European countries, the top-tier leagues often consist of 18 to 20 teams, such as the EPL with 20 teams. Similarly, La Liga in Spain, Serie A in Italy, and the Bundesliga in Germany typically have 18 to 20 teams competing in each season.³¹

In North American leagues, the typical size of major leagues is around 30 teams. The NBA has 30 teams, including historical expansion periods such as the addition of four teams between 1988 and 1989 and its latest addition in 2004 being the Charlotte Bobcats, now known as the Charlotte Hornets.³² The NFL expanded to 32 teams in 2002, when the Houston Texans joined the league.³³ In hockey, the NHL has expanded from its original six teams in 1942 to 32 teams as of 2021, with recent additions like the Seattle Kraken.³⁴ MLB has seen expansions and relocations over the years, growing from 16 teams in 1903 to 30 teams today, including the establishment of new franchises and the relocation of existing ones.³⁵ MLS has experienced significant expansion since its inception in 1996, growing from ten teams to 28 in 2023, with its latest addition of St. Louis City SC. The WNBA also started with eight teams in 1997 and expanded to 12 teams by 2021.³⁶

The number of teams in each league is influenced by various factors including the sport, geographical considerations, and league growth. While the typical range for international soccer leagues is around 18 to 20 teams, major North American sports leagues tend to have a larger number of teams, usually around 30, reflecting the smaller number of leagues per sport dominating the North American market.

31 https://www.bundesliga.com/en/faq/what-are-the-rules-and-regulations-of-soccer/_trashed-10568

32 https://www.espn.com/nba/story/_/id/30576045/adam-silver-acknowledges-possibility-nba-expansion

33 <https://www.reviewjournal.com/sports/raiders/a-look-at-the-history-of-expansion-and-relocation-in-the-nfl/>

34 <https://www.nhl.com/news/nhl-expansion-history/c-281005106>

35 <https://howtheyplay.com/team-sports/major-league-baseball-expansion-and-franchise-relocation>

36 <https://www.theintermissionsports.com/post/a-look-inside-to-potential-wnba-expansion>

Leagues also generally have required an expansion fee from new teams as a way to help offset any potential dilution of talent and to compensate existing teams for the additional competition. The amount of the expansion fee can vary widely, generally in accordance with the popularity and growth of the league. Recent fees range from \$650 million for the NHL's newest franchise, the Seattle Kraken, to \$325 million for MLS' newest team, Charlotte FC. The NBA, a league which has not expanded since 2004, has been rumored to place a potential expansion fee around \$2.5 billion.³⁷ This is typically implemented to offset market dilution for pre-existing owners.

Measures for Competitive Balance

4. Salary Caps and Exceptions

A salary cap is a regulation that sets a limit on the amount of money that a sports team can spend on player salaries. The limit exists as a per-player limit or a total limit for the team's roster, or both. Many leagues have implemented salary caps, using it to maintain competitive balance, and prevent wealthy teams from dominating the league. These leagues include the NFL, NBA, NHL, and MLS in the United States, among others. However, the specifics of salary caps and how they are implemented can vary greatly from one league to another. Some leagues have "hard" caps, while others have "soft" caps, and many have various types of exceptions. For instance, the NBA has a soft cap which allows teams to exceed the salary cap in order to retain players or acquire them through various exceptions. The NFL, on the other hand, has a hard cap but does allow for certain exceptions such as carryover provisions, where unused cap space from the previous year can be added to the next year's cap. These variations and exceptions add a layer

³⁷ <https://hoopshype.com/rumor/adam-silver-rumored-2-5-billion-nba-expansion-fee-very-low/>

of complexity to the management of team rosters and player contracts. Below many of the variations are described.

NFL - Hard Cap

The NFL has a hard salary cap, meaning that teams cannot exceed the salary cap limit at any time, including the offseason. The salary cap is determined each year based on league revenue and is typically adjusted upward each year. Teams are also required to spend a minimum amount on player salaries each year, known as the "floor". The NFL also allows for carryover from one year to the next, which gives teams some flexibility to manage their payrolls over time.³⁸

NBA - Soft Cap, Numerous Exceptions

The NBA has a soft salary cap, meaning that teams are allowed to exceed the cap under certain circumstances, such as using the "Mid-Level Exception" or "Bird Rights" to sign their own players. The salary cap is determined each year based on league revenue and is typically adjusted upward each year. The NBA is also known for its abundance of exceptions to their salary cap. The exceptions' applicability are often contingent upon a number of complicated variables including how long a player has been with a team, how that player was acquired, and individual variability within types of player contracts. The salary cap machinery of the NBA is perhaps the most convoluted of any league. Via trades and free agency teams can circumvent the salary cap via many exceptions including but not limited to:

38 <https://en.as.com/nfl/2023-nfl-free-agency-the-salary-cap-explained-n/#:~:text=This%20is%20different%20from%20other,salaries%20and%20limit%20financial%20risks.>

- Mid-Level Exception (MLE): Teams can use the MLE to sign a player to a contract worth up to the league's average salary, even if they are over the salary cap.
- Bi-Annual Exception (BAE): Teams can use the BAE to sign a player to a contract worth up to \$3.7 million every other year.
- Disabled Player Exception (DPE): Teams can apply for the DPE if they have a player who is expected to be out for the remainder of the season due to injury. The exception allows the team to sign a replacement player to a contract worth up to the injured player's salary.
- Trade Exception: When a team trades away a player, they can sometimes receive a trade exception in return. The exception allows the team to acquire a player in a trade whose salary is higher than the player they traded away.
- Rookie Scale Exception: Teams can sign their first-round draft picks to contracts that exceed the salary cap, up to a certain limit.
- Minimum Salary Exception: Teams can sign players to contracts worth the minimum salary, even if they are over the salary cap.
- Non-Taxpayer Mid-Level Exception: A variation of the MLE available to teams who are over the salary cap but under the luxury tax.^{39 40}

Furthermore, many of these exceptions are contingent upon additional conditions that's explanation could warrant its own paper. These "exceptions" permeate the actions of teams so

39 <https://sportsbrief.com/nba/33758-how-nba-salary-cap-work-details-explained/>

40 <https://franchisesports.co.uk/nba-salary-cap-exceptions-explained/>

heavily that teams generally operate above the “salary cap” as opposed to below. As of writing this, there is only 1 team below the salary cap after the 2022-2023 trade deadline, the San Antonio Spurs.⁴¹

The NBA does have an additional luxury tax line, which is set higher than that of the salary cap threshold. Any team whose total player salaries exceed that level is subject to a tax on the excess amount. The amount of the luxury tax is calculated based on a sliding scale that increases as a team's total salary goes up. For example, if the luxury tax threshold is set at \$132 million and a team has a total salary of \$150 million, they would be subject to a luxury tax on the \$18 million difference. The tax rate for that amount would depend on how far above the threshold the team's total salary is. The rate at which teams are taxed on their excess spending also increases as they remain over the tax line in consecutive years.

41 <https://www.spotrac.com/nba/cap/2022/>

Amount over tax threshold	Repeat offenders	Non-repeat offenders
\$1 million	\$2.50M	\$1.50M
\$2 million	\$5.00M	\$3.00M
\$3 million	\$7.50M	\$4.50M
\$4 million	\$10.00M	\$6.00M
\$5 million	\$12.50M	\$7.50M
\$6 million	\$15.25M	\$9.25M
\$7 million	\$18.00M	\$11.00M
\$8 million	\$20.75M	\$12.75M
\$9 million	\$23.50M	\$14.50M
\$10 million	\$26.25M	\$16.25M
\$11 million	\$29.75M	\$18.75M
\$12 million	\$33.25M	\$21.25M
\$13 million	\$36.75M	\$23.75M
\$14 million	\$40.25M	\$26.25M
\$15 million	\$43.75M	\$28.75M
\$16 million	\$48.00M	\$32.00M
\$17 million	\$52.25M	\$35.25M
\$18 million	\$56.50M	\$38.50M
\$19 million	\$60.75M	\$41.75M
\$20 million	\$65.50M	\$45.50M
\$21 million	\$70.25M	\$49.25M
\$22 million	\$75.00M	\$53.00M
\$23 million	\$79.75M	\$56.75M
\$24 million	\$84.50M	\$60.50M
\$25 million	\$91.75M	\$66.75M
\$26 million	\$97.00M	\$71.00M
\$27 million	\$102.25M	\$75.25M
\$28 million	\$107.50M	\$79.50M
\$29 million	\$112.75M	\$83.75M
\$30 million	\$123.00M	\$93.00M
\$31 million	\$128.75M	\$97.75M
\$32 million	\$134.50M	\$102.50M
\$33 million	\$140.25M	\$107.25M
\$34 million	\$146.00M	\$112.00M
\$35 million	\$159.25M	\$124.25M
\$36 million	\$165.50M	\$129.50M
\$37 million	\$171.75M	\$134.75M
\$38 million	\$178.00M	\$140.00M
\$39 million	\$184.25M	\$145.25M
\$40 million	\$200.50M	\$160.50M
\$41 million	\$207.25M	\$166.25M
\$42 million	\$214.00M	\$172.00M
\$43 million	\$220.75M	\$177.75M
\$44 million	\$227.50M	\$183.50M
\$45 million	\$246.75M	\$201.75M
\$46 million	\$254.00M	\$208.00M
\$47 million	\$261.25M	\$214.25M
\$48 million	\$268.50M	\$220.50M
\$49 million	\$275.75M	\$226.75M
\$50 million	\$298.00M	\$248.00M

The above image demonstrates the non-linear nature of how costly tax payments can become for teams as they stray further from the set tax line.⁴² Teams that pay the luxury tax contribute to an annual league earnings pot that is distributed evenly amongst teams that did not pay the luxury tax. Payment of the luxury tax thus also precludes teams from the benefit of other teams paying them their tax, further increasing the opportunity cost of entering the luxury tax.

42 <https://hoopshype.com/2018/10/11/nba-luxury-tax/>.

MLB - No salary Cap, Has Luxury Tax

MLB does not have a salary cap, but it does have a luxury tax system, where teams are taxed for spending over a certain total amount on player salaries. The luxury tax threshold is determined each year and is typically adjusted upward each year. In 2021, the threshold was \$210 million, and teams who exceed it will be taxed 20% of their overage in the first season, 30% in the second, and 50% in the third. Teams are only taxed on the amount that their spending exceeds the luxury tax line. For example, a team being taxed for a total payroll of 210 million during their first year exceeding the luxury tax threshold would pay a \$2 million luxury tax bill. Whereas a team paying for a total payroll of \$210 million during their third year of spending would pay \$5 million. This system increases team payment to the rest of the league as a given team is above the threshold for multiple seasons. However, this luxury tax system penalizes teams a constant proportional rate of spending irrespective of how far above the luxury tax threshold they spend. ⁴³

NHL - Hard Cap, Some Exceptions

The NHL has a hard salary cap, similar to the NFL. The salary cap is determined each year based on league revenue and is typically adjusted upward each year. "Averaged Club Salary," which is calculated by dividing a team's total payroll by the number of players on the active roster, must be above the salary cap floor, but below the upper limit. The exact percentage of the salary floor can vary from year to year, but it is typically set at around 60% of the salary cap.

⁴³ <https://franchisesports.co.uk/mlb-luxury-tax-explained/>

One “exception” to the NHL's salary cap is a "performance bonus cushion," which allows teams to go over the salary cap by up to 7.5% of the upper limit to accommodate performance bonuses earned by players. This performance bonus cushion is calculated based on the total value of performance bonuses earned by players in the previous season. Teams are also required to spend a minimum amount on player salaries each year, known as the "floor". Another exception to the NHL’s salary cap is their Long Term Injured Reserve (LTIR):

- When a player is injured and expected to miss at least 10 games or 24 days, the team can place the player on the LTIR list.
- The team receives relief from the player's salary cap hit, up to the amount of the player's contract. This allows the team to exceed the salary cap limit by the amount of the player's salary.
- The team must first have reached the salary cap limit before placing the player on LTIR.
- The relief is calculated on a daily basis, so the amount of relief will vary depending on the length of time the player is on LTIR.

The team must remain under the salary cap limit once the player is ready to return to the lineup. If the team has exceeded the limit due to the LTIR relief, they must make moves to get back under the limit before the player returns.⁴⁴

EPL - No Salary Cap, Has FFP Regulations

The English Premier League does not have a salary cap in the traditional sense, meaning there is no set limit on the amount a team can spend on player salaries. However, the league

⁴⁴ <https://www.sportingnews.com/us/nhl/news/nhl-salary-cap-rules-explained/x1wwiew656afzelhsx4tnecz>

operates a system known as the "Financial Fair Play" (FFP) regulations.⁴⁵ The EPL FFP regulations aim to ensure that clubs do not spend more than they earn. Clubs are not allowed to make a loss of more than £105 million over a three-year period. This is known as the "maximum aggregate loss". Clubs are also required to limit the growth of their wage bill. They are not allowed to increase their wage bill by more than £7 million per year, unless they can show that the increase is covered by additional revenue generated by the club.⁴⁶ Sanctions for non-compliance include transfer embargoes, reduced playing squads, demotion or even expulsion from the league.

MLS - Salary Cap, Single Entity System, Some Exceptions

MLS has a salary cap, but also operates under a "single-entity" system, meaning that the league owns all player contracts and that all player salaries are paid out of a central fund. The DP rule allows teams to sign up to three players whose total compensation exceeds the league's salary budget, but only a portion of their salary counts against the team's salary budget. This is intended to allow teams to attract and retain top international players who might not otherwise be able to sign with an MLS team due to the league's salary cap restrictions.

Each team is allowed three DPs, and the portion of their salaries that counts against the salary cap is determined by the player's age and when they were signed. For example, a DP who is 24 or younger only counts \$150,000 against the salary cap, while a DP who is 32 or older counts \$530,000 against the salary cap. So, while the DP rule does allow teams to pay up to three players more than the salary cap would allow, it is not a completely unrestricted system. The amount that each DP counts against the salary cap is limited, and teams must still remain within

45 <https://www.mirror.co.uk/sport/football/news/premier-league-wages-manutd-arsenal-29489730>

46 <https://www.claims.co.uk/knowledge-base/football-law/salary-caps-in-football>

the overall salary cap limits. In addition, teams can only sign additional DPs if they pay a luxury tax on the amount over the budget, which further discourages excessive spending.⁴⁷

The Homegrown Player rule is another salary cap exception. It allows clubs to sign players to their first team directly from their youth academy without going through the MLS SuperDraft. To qualify as a Homegrown Player, a player must have been part of a club's youth academy for at least one year and meet certain eligibility requirements. Homegrown Players are exempt from the MLS salary cap, which means teams can sign them to the first team without affecting their salary budget. In addition, teams receive allocation money from the league for signing and developing Homegrown Players, providing an incentive to invest in youth academies and develop young talent.⁴⁸

WNBA - Mostly Hard Cap

The WNBA has an almost completely hard salary cap. Teams cannot exceed the established salary cap limit for any reasons except for a few limited exceptions such as league-approved hardship or disability exemptions.⁴⁹

5. Draft Order - Success Inversion, Lotteries, Picks Awarded

Drafts play a vital role in promoting competitive balance in major sports leagues by distributing incoming talent among the teams. Different leagues employ various methods for determining draft order, with some utilizing a lottery system and others adopting a strict inversion of regular-season success.

47 <https://www.mlssoccer.com/about/roster-rules-and-regulations>

48 <https://boardroom.tv/mls-salary-cap-2023/>

49 https://herhoopstats.com/wnba_cba_salary_cap_explained

The draft lottery system is used by leagues such as the NBA and NHL to determine the order of selection for the top picks in the draft. This system is designed to discourage tanking (deliberately losing games to secure a higher draft pick) while still providing an opportunity for lower-performing teams to acquire top talent. In the NBA, draft lottery reform was implemented in 2019 aimed at discouraging tanking by flattening the odds for the top four picks. The three teams with the worst records now have an equal 14% chance of getting the No. 1 overall pick, with declining percentages for the other lottery teams. Odds previously descending in reverse order of regular season standings.⁵⁰

Similarly, the MLB introduced a lottery system for the top six picks in the 2023 draft as part of their 2022 Collective Bargaining Agreement. The teams with the three worst records have an equal 16.5% chance of securing the No. 1 overall pick, with declining percentages for the other non-postseason clubs.⁵¹

In contrast, some leagues, such as the NFL, use a draft order based on the strict inversion of regular-season success. In this system, the team with the worst record from the previous season is awarded the first overall pick, and the team with the best record receives the last pick in the first round. This method aims to enhance competitive balance by allowing struggling teams to secure top talent in the draft, thereby promoting parity.

Some leagues, such as EPL, do not have a traditional draft system in place. Instead, teams in the EPL rely on their youth academies and transfer market to acquire new talent. The transfer

50 ESPN. (2017). NBA owners pass legislation on draft lottery reform, resting. Retrieved from https://www.espn.com/nba/story/_/id/20849822/nba-owners-pass-legislation-draft-lottery-reform-resting

51 MLB Collective Bargaining Agreement. (2022). Retrieved from <https://www.mlb.com/news/draft-rule-changes-with-new-cba>

market allows teams to buy and sell players from other clubs, both domestically and internationally, to strengthen their rosters.⁵²

Similarly, MLS has a less prominent draft system, known as the MLS SuperDraft. While the draft order is determined by the previous season's standings, the talent pool consists primarily of college players, and the overall impact of the draft on team performance is considered less significant compared to other major sports leagues. This is largely due to the fact that MLS teams also rely on other mechanisms, such as the Homegrown Player Rule and the international transfer market, to acquire talent.⁵³

Compensatory draft picks also serve as a means to maintain competitive balance within leagues by awarding teams extra selections in the draft process when they lose players to free agency. This mechanism has been employed by several leagues, such as the NFL and, until recently, MLB, while other leagues, like the NBA, do not utilize compensatory draft picks.^{54 55}

The NFL's compensatory draft pick system evaluates the net loss of free agents by each team, factoring in both the quality of the players and the financial details of their new contracts. High-performing players signing lucrative deals with other teams result in more valuable compensatory picks for the team losing the player. The NFL compensatory picks are awarded from the third to seventh rounds of the draft, with a maximum of 32 additional picks distributed among eligible teams.⁵⁶

Before their 2022 CBA, MLB employed a compensatory pick system based on the loss of free agents who had received a qualifying offer from their former team. In this system, the value

52 <https://theathletic.com/3338294/2022/06/04/transfer-window-faq/>

53 <https://www.mlssoccer.com/about/roster-rules-and-regulations>

54 <https://www.nbcsports.com/chicago/bears/what-are-compensatory-draft-picks-and-why-do-nfl-teams-get-them>

55 <http://www.cbafaq.com/salarycap.htm>

56 <https://www.nbcsports.com/chicago/bears/what-are-compensatory-draft-picks-and-why-do-nfl-teams-get-them>

of the compensatory pick depended on the team's revenue sharing and luxury tax status. However, under the new CBA, the MLB no longer awards compensatory draft picks for losing free agents.⁵⁷ The NHL also has a compensatory draft pick system, rewarding teams for losing certain qualifying free agents.⁵⁸

Drafts play a crucial role in promoting competitive balance in major sports leagues by distributing incoming talent among the teams. Various methods, such as the draft lottery system and strict inversion of regular-season success, are employed to determine draft order and discourage tanking. Leagues without a traditional draft system or with a less significant draft, like the EPL and MLS, rely on alternative mechanisms such as youth academies, transfer markets, and homegrown player rules to maintain competitive balance and acquire new talent. Compensatory draft picks are also often used as a mechanism aimed towards promoting fairness and competitive balance.

6. Anti-Collusion

In the context of sports leagues, anti-collusion measures refer to policies, protocols, and mechanisms put in place to prevent teams, individuals, or stakeholders from engaging in collusive behaviors that could compromise the integrity of the game. Collusion involves secret agreements or cooperative actions with the intent to manipulate outcomes, gain an unfair advantage, or produce predetermined results. Anti-collusion measures are of paramount importance, particularly in light of the growing influence of gambling in sports.⁵⁹ As the sports betting industry expands, the potential for illicit activities such as match-fixing and insider

57 <https://www.mlb.com/news/new-cba-6-key-takeaways-for-mlb>

58 <https://thewincolumn.ca/2021/07/02/nhl-announces-2021-offer-sheet-compensation-tiers/>

59 Riley, Ben J., et al. "Attitudes, Risk Factors, and Behaviours of Gambling among Adolescents and Young People: A Literature Review and Gap Analysis." *International Journal of Environmental Research and Public Health*, vol. 18, no. 3, Jan. 2021, p. 984. Crossref, <https://doi.org/10.3390/ijerph18030984>.

trading increases, posing a significant threat to the credibility and fairness of sports competitions. By implementing robust anti-collusion measures, leagues can safeguard the integrity of their games, protect the interests of fans, and maintain the trust of stakeholders in the face of these emerging challenges.

The NBA's Collective Bargaining Agreement includes provisions that prevent owners from engaging in certain types of behavior that could be seen as collusion, including paying other owners to facilitate a trade. Specifically, the NBA's CBA includes a provision titled "No Disparagement or Collusion", which states that owners are prohibited from engaging in any conduct that would unfairly restrict competition.⁶⁰ Violations of this provision can result in significant fines or other penalties, including forfeiture of draft picks, loss of revenue sharing, and even termination of ownership. The clause also prohibits players, teams, and other league personnel from making disparaging remarks about the league or its officials. Similar language is typical in most CBAs.⁶¹

Additionally, the NBA has a "Trade Approval" process in place, which requires all trades to be approved by the league office before they can be completed. This process is designed to prevent owners from engaging in any behavior that would be seen as unfair or anti-competitive. The NBA's trade approval process is overseen by the league's Trade and Finance Committee, which is made up of representatives from several teams. The committee reviews each proposed trade to ensure that it complies with the NBA's rules and regulations, including the salary cap and luxury tax rules. If the committee determines that the trade is in compliance, it approves the

⁶⁰ <https://nbpa.com/cba>

⁶¹ <https://www.thenjemploymentlawfirmblog.com/football-player-settles-grievance-alleging-collusion-among-teams-to-deny-him-a-job/>

transaction and allows it to proceed.⁶² Other major sports leagues have similar processes in place for reviewing and approving trades. For example:

- The NFL has a Trade Review and Approval Committee, which is responsible for reviewing all proposed trades and ensuring that they comply with the league's rules and regulations. The committee consists of representatives from several teams and league officials.⁶³
- The MLB also has a trade review and approval process, which is overseen by the league office. All proposed trades must be reviewed and approved by the league before they can be completed.⁶⁴
- The NHL has a board of governors which can exercise veto power, but all trades must be reported to the league office and comply with the league's rules and regulations.⁶⁵

Trade approval processes are designed to ensure that all transactions are conducted fairly and in compliance with the league's rules and regulations. While the specific details of these processes may vary from league to league, they are a mechanism for promoting transparency and fairness in the trading of players and other team interactions.

62 <https://www.nba.com/celtics/news/blog/inside-front-officehtml>

63 <https://operations.nfl.com/inside-football-ops/rules-enforcement/nfl-rules-compliance/>

64 https://www.espn.com/mlb/story/_/id/6800306/mlb-how-trades-get-done

65 https://www.espn.com/nhl/insider/insider/story/_/id/35246436/nhl-board-governors-takeaways-trade-chatter-playoff-expansion

7. Revenue Sharing Escrow System

An escrow system is a financial mechanism used to ensure that contractual obligations are met. In the context of sports leagues' CBAs, an escrow system is used to ensure that the revenue split between the owners and players is executed as intended when league revenue fluctuates outside of expected amounts. Under an escrow system, a percentage of the players' salaries is withheld and placed in an escrow account, which is used to adjust the revenue split at the end of the season. If the players receive more than their agreed-upon percentage of revenue, the excess is returned to the owners. If the players receive less, they are owed the difference.

The NBA and the NHL both use escrow systems in their CBAs. In the NBA, the current escrow system is set at 10% of players' salaries, which is withheld throughout the season. At the end of the season, the league calculates the overall revenue and adjusts the players' salaries accordingly. In the 2020-21 season, the escrow system resulted in players losing around 10-12% of their salaries.⁶⁶

Similarly, the NHL's escrow system is set at 20% of players' salaries and is used to ensure that the players receive their agreed-upon share of league revenue. The NHL's escrow system has been a topic of contention between the players and the league, with some players losing significant portions of their salaries in recent years.⁶⁷ The NBA, NHL, and WNBA use escrow systems in their CBAs, while the NFL, MLB, MLS, and EPL do not.

Incentives for Competition

⁶⁶ <https://www.forbes.com/sites/bryantoporek/2020/04/08/nbas-escrow-battle-over-player-salaries-has-only-just-begun/?sh=6284c2d654e3>

⁶⁷ <https://pittsburghhockeynow.com/nhl-return-explaining-escrow-and-why-players-despise-it/>

8. Playoff Seeding

Playoff seeding is a mechanism used by sports leagues to incentivize teams to compete at a high level throughout the regular season, even during its later stages. Playoff seeding systems are designed to reward teams that perform well by assigning them higher seed positions, which can confer a variety of advantages in the postseason. One such advantage is home field or court advantage, as higher-seeded teams often host more games in their home arenas, where they may enjoy a greater level of fan support and familiarity with playing conditions. This can provide a psychological edge and usually improves team performance.

Another advantage of achieving a higher playoff seed is the opportunity to face weaker opponents in the early rounds of the playoffs. Lower-seeded teams typically have a less impressive record or overall performance during the regular season, and thus, higher-seeded teams may have an easier path through initial stages of the postseason. This can help preserve the energy and focus of top teams, allowing them to be better prepared for matchups in later rounds of the playoffs. Insofar as there are advantages to obtaining a higher seed, leagues can motivate teams to continue striving for success throughout the entirety of the regular season, fostering a more competitive atmosphere that remains engaging for fans.

In contrast, some sports leagues, such as the EPL, do not have a playoff system. Instead, the league title is awarded to the team with the most points at the end of the regular season. Despite not having a playoff system, the EPL still fosters competition through other mechanisms, such as qualification for European competitions based on league standings.⁶⁸ Nonetheless, playoff seeding remains a prominent tool for maintaining competitiveness in leagues like the

68 <https://www.esquire.com/sports/a37304950/english-premier-league-teams-rules-explained/>

NBA, NFL, MLB, NHL, WNBA, and MLS, where postseason play is the central aspect of determining a champion.

9. Bye Weeks and Appropriate Rest

Bye weeks and rest periods are another mechanism used by leagues to incentivize late-season competition while minimizing the risk of injury and player fatigue. A prime example of this is the NFL, which awards a first-round bye to the top two seeded teams in each conference during the playoffs. This not only provides an incentive for teams to strive for the best regular-season record but also grants those top seeds additional time to rest and prepare for their playoff games.

By incorporating bye weeks into the league schedule, teams have the opportunity to recover and regroup, allowing them to maintain a higher level of performance throughout the season. The theory is that additional rest alleviates physical and mental strain from athletes, making it more appealing for teams to continue playing top players and providing full effort even as the season progresses.

In addition to the NFL, other leagues also employ similar strategies. For instance, the MLS awards the top seeds in each conference a first-round bye in the playoffs, granting them additional rest and preparation time.⁶⁹ The NHL also has mandated 5 day rest periods for each team.⁷⁰ By strategically awarding bye weeks or rest periods, leagues can further motivate teams to perform well during the regular season, with the prospect of extra rest reducing the potential for injuries and allowing for more comprehensive preparation for important matchups. This

69 <https://www.cbssports.com/soccer/news/mls-playoff-format-major-league-soccer-introduce-a-play-in-round-to-their-postseason/>

70 <https://www.nhl.com/news/nhl-bye-weeks-2022-23-season-begin-january-28-fantasy-schedule/c-340490210>

approach demonstrates one way in which sports leagues have attempted to maintain late-season competitiveness while promoting player health and well-being.

10. Success Proportional Revenue Sharing

Some leagues have implemented reward systems to incentivize teams for their performance during the regular season, their qualification for playoffs, or their advancement through them. These rewards are designed to encourage a competitive spirit throughout the season and help maintain a high level of engagement and effort from all teams, regardless of their position in the league standings. A prominent example of this system is the use of 'merit payments'.

Merit payments in the EPL serve as a financial incentive for teams to perform well throughout the season. These payments are determined by a team's final league position. The higher a team finishes in the standings, the larger the merit payment they receive, rewarding clubs for their on-field success. The merit payments are part of the Premier League's central revenue distribution model, which also includes equal shares of domestic and international TV broadcast revenue, as well as facility fees based on the number of televised matches featuring each club. For the 2019/2020 season, the merit payments constituted around 25% of the total central revenue distributed among the clubs. Each league position was worth an additional £1.94 million, with the bottom club earning £1.94 million and the top club earning £38.8 million in merit payments. Equal distribution of broadcast revenue and facility fees based determined by other factors constituted 50% and 25% of total central revenue sharing, respectively.⁷¹

⁷¹ <https://www.sportingnews.com/us/soccer/news/premier-league-prize-money-champions-full-table/ukfu5xbuzeogqcpvg0plkhe0>

While merit payments are more commonly associated with the EPL, other leagues have employed similar systems. For example, in the Australian Football League (AFL), teams receive a portion of their total revenue based on their final ladder position, with higher-ranked teams earning more money.⁷² This system, though not as substantial as the EPL's merit payments, also serves the purpose of incentivizing teams to perform well throughout the season.

Player pools are another example of success proportional revenue sharing. In some leagues, such as the MLB and NHL, a portion of playoff gate revenues are allocated to players on teams that participate in the playoffs. For example, in the MLB, a player pool is created using the following percentages from the gate receipts:

- 60% of the total gate receipts from the first three games of the Division Series
- 60% of the total gate receipts from the first four games of the League Championship Series
- 60% of the total gate receipts from the first four games of the World Series⁷³

These percentages are taken from the total gate revenue for the respective games and pooled together. The player pool is then divided among the participating playoff teams based on their performance in the postseason. The specific amount each team earns from the player pool can vary depending on the total gate revenue generated and the team's success in the playoffs. Players then vote on how to divide the pool among their teammates, determining the number of shares they allocate⁷⁴. Similarly, the NHL and NFL also divide a portion of playoff gate revenue

72 <https://www.foxsports.com.au/afl/afl-2023-league-funding-for-afl-clubs-ladder-who-gets-the-most-money-list-assistance-north-melbourne-cost-of-funding-gold-coast-and-gws/news-story/3425722d96a28b632b3eeae1a17c5a6b>

73 <https://www.sportsbusinessjournal.com/Journal/Issues/2022/10/31/Upfront/MLB-Postseason.aspx>

74 <https://www.sportsbusinessjournal.com/Journal/Issues/2022/10/31/Upfront/MLB-Postseason.aspx>

into player pools, which are then distributed among participating playoff teams' rosters. These player pool mechanisms are designed to specifically incentivize the players.

11. Individual Franchise Earnings

Most sports leagues, including the NBA, NFL, MLB, NHL, MLS, WNBA, and EPL, allow individual teams to generate revenue through various channels. This most often consists of varying portions of ticket sales, merchandise sales, and individual team sponsorships. Making the playoffs, or qualification in any tournaments, can substantially increase a team's revenue through higher ticket prices, increased merchandise sales, and greater fan engagement.

This mechanism is often put in place to encourage teams to put together entertaining, competitive rosters, even when they are not in a position to plausibly compete for a championship. The potential loss of revenue if fans do not want to watch a specific team keeps owners accountable for creating a competitive and entertaining product on the field or court.

Ticket sales are divided in a variety of splits between home and away teams and general league redistribution. This generally involves home teams or participating teams benefiting from the majority of revenue.⁷⁵ However, the NFL is an outlier in terms of the way that it handles playoff revenue. It divides gate revenue between all 32 teams, irrespective of playoff participation. Teams are given stipends to pay for staff to travel with the team, are allowed to keep parking and concessions sales at home games, and are allowed to profit from some ticket sales of box suites. However these revenues typically generate \$1-2 million per game and are relatively small compared to the amount of revenue generated by the playoffs as a whole. Furthermore, players may have playoff incentives in their contracts, such as Tom Brady's \$2.25

⁷⁵ <https://thesportjournal.org/article/economic-values-of-professional-sport-franchises-in-the-united-states/>

million bonus for winning the super bowl in 2021. The implications of this are that individual teams can even operate at a net loss from direct participation in the playoffs. The primary retention of playoff gate revenues of the NFL is atypical compared to other leagues. For comparison, the NBA retains 25% of their playoff revenues for league wide revenue sharing while the NHL retains 35%.⁷⁶

12. Postseason Expansion

Postseason expansion has been a significant trend in professional sports leagues over the past few decades, allowing more teams to compete for championships and increasing fan engagement. The NFL expanded its playoff format from 8 to 10 teams in 1990, adding one Wild Card team from each conference. In 2021, the NFL further expanded the playoffs to include 14 teams, with each conference having four division winners and three Wild Card teams.⁷⁷

MLB added a second Wild Card team to each league in 2012, expanding the playoff format from 8 to 10 teams.⁷⁸ The NBA expanded its playoff format from 8 to 16 teams in 1984, with the top 8 teams from each conference qualifying for the postseason. It has since also added a postseason play in tournament but kept the total number of teams in the official playoffs the same.⁷⁹ The MLS also expanded its playoff format, initially from 8 to 10 teams in 2011, and later to 12 teams in 2020.⁸⁰ The WNBA expanded its playoff format from 6 to 8 teams in 2016.

⁸¹ In the NHL, from the 1971-72 season to the 1978-79 season, eight teams made the playoffs, with the top two teams from each division qualifying. Starting in the 1979-80 season, the NHL

⁷⁶ <https://www.sportico.com/leagues/football/2022/nfl-playoffs-generate-no-financial-windfall-1234658372/>

⁷⁷ https://americanfootballdatabase.fandom.com/wiki/NFL_Playoffs

⁷⁸ <https://www.bruinsportsanalytics.com/post/mlbpostseason>

⁷⁹ <https://nbahoopsonline.com/History/Leagues/NBA/playoffs/index.html>

⁸⁰ <https://chasingacup.com/the-evolution-of-the-mls-playoffs/>

⁸¹ <https://highposthoops.com/2022/07/22/wnba-playoff-format-changed-whats-new/>

expanded the playoffs to include 16 teams, with the top four teams from each division making the playoffs. In 1981-82, the league adopted the current playoff format of 16 teams with the top eight teams from each conference qualifying.⁸² Of the seven leagues consistently referenced, the EPL does not have a playoff at the end of its regular season the same way others do. They instead crown a champion by total points scored.

The primary reason behind postseason expansion is to increase fan interest and engagement, generating higher revenues through ticket sales, merchandise, and broadcasting rights. By allowing more teams to compete in the playoffs, the leagues provide additional opportunities for fans to watch their favorite teams in the postseason. This also creates an environment in which more teams can remain hopeful to compete in the postseason as the regular season progresses.

13. In Season Tourneys

In-season tournaments are an important part of soccer leagues worldwide, providing additional opportunities for teams to compete and showcase their skills outside of their domestic leagues. These tournaments often come with incentives such as monetary rewards, qualification for other competitions, and prestigious trophies. In-season tournaments in MLS and the EPL both serve as keen examples.

In the MLS, the U.S. Open Cup is an in-season tournament that involves teams from various levels of the American soccer pyramid, including those from the MLS. It is the oldest ongoing soccer competition in the United States, having been established in 1913. The winner of the U.S. Open Cup receives the Dewar Challenge Trophy and earns a spot in the CONCACAF

⁸² <https://records.nhl.com/history/playoff-formats>

Champions League, a prestigious competition featuring the top club teams from North America, Central America, and the Caribbean. Additionally, there are monetary rewards for the winners, with the champion receiving \$300,000, the runner-up taking home \$100,000, and the team that advances the furthest from each lower division earning \$25,000.⁸³

Additionally, MLS teams participate in the Leagues Cup, an annual competition between MLS and Liga MX clubs, established in 2019. In 2023, all 47 teams from both leagues will participate in a World Cup-style tournament with a group stage followed by knockout rounds. Teams will be separated into four regions: East, West, South, and Central. The top two teams from each group advance to the knockout stage, which is single elimination. The winner of the third-place match earns a spot in the CONCACAF Champions League, while both finalists also secure spots in the CCL. The Leagues Cup champion skips directly to the CCL last 16.⁸⁴

In the EPL, teams participate in two major domestic cup competitions: the FA Cup and the EFL (Carabao) Cup. The FA Cup, established in 1871, is the oldest association football competition in the world and involves teams from various tiers of the English football pyramid. Winners receive the coveted FA Cup trophy, a cash prize, and a spot in the group stage of the UEFA Europa League. In the 2021-2022 season, the FA Cup winners received £1,800,000 in prize money.⁸⁵

The EFL Cup is a knockout competition open to clubs in the EPL and English Football League. The winning team receives the EFL Cup trophy and a place in the UEFA Europa

83 <https://www.nashville.com/news/lamar-hunt-u-s-open-cup-explained-everything-you-need-to-know-about-the-premier->

84 <https://www.goal.com/en-us/news/leagues-cup-schedule-format-and-everything-you-need-to-know-about-the-competition-between-mls-and-liga-mx/bltb20446be56229420>

85 <https://www.goal.com/en-us/news/fa-cup-prize-money-how-much-2021-22-winning-teams-earn/blta4ca71b5f8850b03>

Conference League, a newly established European club competition. Prize money for the EFL Cup is relatively modest compared to the FA Cup, with a total prize fund of around £100,000.

In both the EPL and MLS, in-season tournaments often carry prestige, and the opportunity to participate in international competitions serves as a strong incentive for teams to compete seriously. Moreover, the monetary rewards and the chance to lift a trophy can further motivate players and teams to perform during regular season outings.

According to recent reports, the NBA will introduce its first ever in-season tournament during the 2023-2024 NBA season. After reaching a preliminary agreement on a new CBA, the NBA will introduce the tournament in an aim to make regular season games more significant and maintain viewership throughout the season. All 30 teams will participate, with a series of games determining the eight teams advancing to a knockout phase. The tournament games will be part of the 82-game regular-season schedule, and the teams that reach the final will play a total of 83 games. Scheduled to start in November 2023, the tournament's Final Four should take place in December, before the NBA Christmas Day. Although there is currently no official announcement regarding prizes, it has been reported that players and coaches of the winning team will receive a prize of \$500,000.⁸⁶

The WNBA Commissioner's Cup, introduced in the 2021 season, is another prime example of an in-season tournament designed to generate increased fan interest and excitement. The Commissioner's Cup features all 12 WNBA teams competing in a separate competition alongside their regular-season games. Each team plays a total of 10 Cup games, with the first home game and first road game against each of their conference rivals counting towards Cup standings. At the end of these games, the team with the best Cup record in each conference

⁸⁶ <https://www.dunkest.com/en/nba/news/135743/nba-in-season-tournament-schedule-and-how-it-works>

advances to the Commissioner's Cup Championship Game, which is held as a stand-alone event during the league's summer break. The Championship Game provides an opportunity for players to showcase their skills and compete for additional monetary rewards, with a total prize pool of \$500,000 up for grabs.⁸⁷

Play-in tournaments have recently emerged as a popular mechanism to maintain late-season competition and excitement in sports leagues. These tournaments typically involve a set of games that determine the final playoff spots and are contested by teams that finished just outside the automatic qualification positions. By incorporating play-in tournaments, leagues can offer more teams the opportunity to compete in the postseason, incentivizing medium-level or less talented teams to keep striving for late season success.

The NBA and MLS serve as prime examples of leagues utilizing play-in tournaments to maintain competitiveness and fan engagement. In the NBA, the play-in tournament involves the teams seeded 7th to 10th in each conference, with the winners securing the 7th and 8th playoff spots.⁸⁸ This format encourages teams that may have otherwise been out of playoff contention to continue effort late in the regular season, as they now have a chance to earn a playoff berth.

Similarly, the MLS has introduced a play-in round between the 8th and 9th-place teams in each conference, with the winners advancing to face the top seeds.⁸⁹ This additional round offers more teams the chance to compete in the playoffs and provides an incentive for mid-level teams to continue battling throughout the season.

Both leagues still aim to have regular-season success of top-caliber teams rewarded. The higher seeds avoid the play-in tournament, receive more favorable matchups in the playoffs, and

87 <https://www.sbnation.com/wnba/2020/1/16/21069194/wnba-tournament-schedule-commissioners-cup>

88 <https://www.nba.com/news/nba-play-in-tournament>

89 <https://www.cbssports.com/soccer/news/mls-playoff-format-major-league-soccer-introduce-a-play-in-round-to-their-postseason/>

are granted home-field advantages. This is intended to ensure that play-in tournaments are not diluting the significance of the regular season but rather enhancing the competitive atmosphere and excitement of the leagues' regular season, particularly towards the end.

Also of note is that "Wildcard" rounds such as the NFL and MLB's function similarly to play-in tournaments, fostering late-season competition and increasing fan engagement. By offering teams that performed well, but did not clinch division titles, a chance at a playoff spot, these rounds heighten stakes in late-season games and maintain interest. The Wild Card round thus serves as a bridge between the regular season and traditional playoff format, incentivizing consistent performance and providing opportunities to a larger number of teams for postseason success.

Increasing Fan Engagement

14. Player Retention Mechanisms

Player retention mechanisms are strategic tools used by sports leagues to enable teams to keep their key players, thus ensuring some degree of roster continuity and stability. These mechanisms serve the dual purpose of rewarding successful player development and acquisition, and fostering long-term relationships between players and their fans. Below the machinations of many examples in various leagues are introduced:

NFL - Franchise Tag

One mechanism designed to promote player retention is that teams are given a franchise tag, which allows a team to prevent one designated player from entering free agency. During the season in which the franchise tag is in place, the leveraging team will be required to pay said

player whichever is greater between an average of the top 5 player salaries at their position, or 120% of the player's salary during the previous year.

NBA - Designated Player Extensions "Super Max"

The NBA's Supermax is a type of contract extension available to a select group of elite players who meet certain performance and service criteria. To be eligible for a supermax contract, a player must either have been named to the All-NBA First, Second, or Third team, or named NBA Defensive Player of the Year, in the most recent season or two seasons prior, or have won the NBA MVP award in any of the previous three seasons. The player must also have either played for the team that drafted them, or have been traded to his current team on his rookie contract.

A supermax contract can pay a player up to 35% of the team's salary cap, which is significantly more than the typical max contract that pays up to 30% of the salary cap. Similarly to standard maximum contracts teams can otherwise offer, player salaries can be negotiated to increase up to 8% in annual salary each year. The length of a supermax contract is also similar to a regular max contract for players re-signing with their current team, with five years of duration, but longer than the four years for players signing with a new team.⁹⁰

NBA - Rookie Scaling/Extension Rules

The NBA's rookie scale contract is a largely predetermined contract that is offered to incoming first-round draft picks based on their draft position. The contract lasts for four years, with the team holding a team option for the third and fourth years. The NBA sets out the salary

⁹⁰ <https://franchisesports.co.uk/nba-supermax-explained/>

scale for each draft position, with the first overall pick receiving the highest salary and the final pick receiving the lowest. The salary scale is adjusted each year based on the league's salary cap.

If a player's team options are accepted, then after the player's fourth year in the league, teams will be given the choice to offer that player a restricted free agency tender. This is known as a "qualifying offer", a one-year contract offer made to a restricted free agent that allows the team to retain the player's rights and match any offers made by other teams. Eligibility for a qualifying offer are as follows:

- The player must have completed his rookie scale contract, meaning he has played three seasons in the NBA.
- The team must have extended a qualifying offer by the deadline, which is typically in late June.
- The qualifying offer must be for either 125% of the player's previous salary or the amount of the league's minimum salary (whichever is greater).
- The player must have played in at least 41 games or started in at least 1 game in the previous season.

Players given a qualifying offer are not forced to sign a new long term contract with their current team. They may accept the qualifying offer and then play for one more year before becoming an unrestricted free agent. Any team would then be able to bid for said player the following offseason. However, in practical terms, this makes very little sense for top talent to do. Playing under a short term deal such as the qualifying offer exposes the player to injury risk before achieving their first major contract in the league. The financial security offered by negotiating with the team that drafted the player is almost always too valuable to deny.

Deandre Ayton serves as a prime example of this. There were reported tensions between Ayton and the Phoenix organization that had put his name in trade rumors and had played well enough to have plentiful interest from other teams as a free agent. However, given that Phoenix would likely match any offer teams made him as a restricted free agent, he ultimately decided to resign with Phoenix on a 4 year \$133 million dollar deal.⁹¹ Were he to try to accept the qualifying offer, he would have earned \$16.4 million on a one year deal, lessening his financial security and ultimately waiting a year longer to sign a major contract. Very few Players ultimately sign the qualifying offer and virtually no top draft picks have without some sort of concerns about their long term value due to injury or otherwise. The following chart demonstrates the comparatively low value of the qualifying offer.

Player Name	Draft Position	Contract Type	Contract Length	Annual Contract Value
Luka Dončić	3rd overall (2018)	Extension	5 years	\$34,700,000
Trae Young	5th overall (2018)	Extension	5 years	\$29,274,000
Deandre Ayton	1st overall (2018)	New Contract	4 years	\$33,500,000

91 <https://fansided.com/2022/07/14/deandre-ayton-contract-suns-explained/>

Nerlens Noel	6th overall (2013)	Qualifying Offer	1 year	\$5,005,350
Alex Len	5th overall (2013)	Qualifying Offer	1 year	\$4,160,119
Elfrid Payton	10th overall (2014)	Qualifying Offer	1 year	\$8,000,000

(Information collected from Spotrac) 92

Players who perform well enough on their rookie contracts have thus generally opted to resign with their teams. This mechanism along with Bird Rights, to be explained subsequently, have effectively given NBA teams control over their players as assets for the first 8 to 9 years of their career.

NBA - Bird Rights

Bird rights are an important tool for teams to retain their top talent. These rights allow teams to exceed the salary cap to re-sign players who have been with the team for 3 or more seasons. Bird rights, named after former NBA player Larry Bird, give teams a significant advantage in re-signing their own players by allowing them to offer larger raises and longer contracts compared to other teams. Specifically, teams with Bird rights can offer players annual raises of up to 8%, while other teams can only offer up to 5%. In addition, teams with Bird rights can offer contracts up to five years, while other teams can only offer four.⁹³

92 <https://www.spotrac.com/nba/extensions/>

93 <https://www.sportsbusinessclassroom.com/understanding-the-value-of-bird-rights/>

Players' bird rights that have been attained by a given team are preserved if said player is traded. This has resulted in very few top players that would receive maximum contract offers signing new contracts with another team in free agency. It has become much more likely that a player would accept a better paying deal with their preexisting team and hope to eventually relocate via trade if they so desire. Mechanisms such as bird rights then theoretically promote the ability of teams to receive draft picks and other players in return should a top talent desire to leave.

WNBA - Core Player Designation

WNBA teams are permitted one player per season to be designated as a "core player". The team then possesses exclusive rights to sign the designated player. In levying a core player designation, teams are obliged to offer said player at least a one year deal of the maximum contract salary allowed in that given year. Players may sign longer term deals after being "cored" in which case teams lose the right to "core" any other player so long as the first "cored" player remains on their roster. After two seasons played under a "core" designated contract, a player becomes "uncoreable" and gains more rights to restricted free agency. Player's contracts automatically lose this core designation if acquired by another team via trade, preserving the acquiring team's ability to levy its own core designation. This functions slightly differently than similar mechanisms in other leagues such as the NBA's Supermax or Rose rule which prevent accumulation of multiple of these players on the same team.⁹⁴

MLB - 6 Year Free Agency Restriction/Arbitration

⁹⁴ <https://herhoopstats.substack.com/p/wnba-core-player-designation-explained>

MLB players are only allowed to become free agents, the point in which they can freely negotiate contracts with other teams, after six years of service. Rookies and players on rookie scale contracts have no say in the salary of their contracts. Teams can pay a player whatever they would like so long as it is above the league minimum. After a player has garnered 3 years of service, they can then negotiate a salary with their respective club. This negotiation process, though, does not involve outside bidding from other teams. If players cannot reach an agreement with their team, negotiations are turned over to an outside arbiter who will side with either the player or the team, finalizing the player's salary.⁹⁵ A player gaining access to arbitration based negotiation is a massive increase in leverage. Pre-Arbitration salaries are typically restricted to the league minimum which has recently been increased as high as \$700,000. Almost 60% of the league will play on a minimum contract. However, arbitration salaries can reflect top talent's abilities. The highest paid arbitration based contracts reach as high as Rafael Devers' - currently at \$17,500,000.⁹⁶ Through this system, though, players are able to be retained regardless of how well they play until they have accumulated six years of service in the league. This produces massive rewards to teams for drafting well and producing top talent. This system, though, is generally much less player friendly than that of other leagues.

15. League vs Localized Revenue Sharing

In most major sports leagues, revenue from national TV deals is split equally between all teams in the league. However, other revenue streams such as local TV deals, ticket sales, and merchandise are usually distributed, to some degree, locally to each team. This is the case in each of the NFL, NBA, MLB, MLS, NHL, EPL, and WNBA. These local revenue streams thus

⁹⁵ <https://www.spotrac.com/mlb/arbitration/>

⁹⁶ <https://tbonesbaseball.com/60-of-mlb-players-make-league-minimum-salary-heres-why/>

can vary greatly depending on a number of factors such as market size, team performance, and overall popularity.

Leagues' division of individual team revenues varies in the details of what merchandising, what proportion of local gate revenues, and local sponsorships are subject to revenue sharing. MLB Teams contribute 48% of all local revenues (gate receipts, local TV revenue, concessions, parking, sponsorships, etc.) to a pool, which is then divided equally among all 30 teams. In 2018, each team received \$118 million from this fund.⁹⁷ In the NFL, teams share about 40% of local gate revenue with the away team but generally retain most of their local revenues and bring in 40% of gate revenues from their away games. The NFL also retains the majority of playoff gate revenues for redistribution, this is in contrast to most leagues which provide a monetary incentive for teams to compete in the playoffs through retention of gate receipts.⁹⁸ On the opposite end of the incentive spectrum is the EPL, not having a playoff but monetarily rewarding teams for regular season placement (through merit payments) and allowing teams to keep 100% of local gate revenues.⁹⁹

Television viewership has declined across the board, as streaming services have garnered increasing popularity in recent years. As a result, sports leagues have begun to follow many other entertainment options in their movement to availability for online streaming. Some recent examples include:

- NFL: In 2020, the NFL signed a 11 year deal with Amazon Prime Video to stream Thursday Night Football games, reportedly worth \$1.2 billion per year.¹⁰⁰

97 <https://www.blessyouboys.com/2021/12/16/22831008/mlbs-revenue-sharing-problem-and-how-to-solve-it>

98 <https://www.sportico.com/leagues/football/2022/nfl-playoffs-generate-no-financial-windfall-1234658372/>

99 <https://sqaf.club/premier-league-tv-money-distribution/>

100 <https://www.forbes.com/sites/dereksaul/2022/09/08/nfls-thursday-kickoff-marks-pivotal-moment-for-amazon-and-other-tech-giants-live-sports-future/?sh=288fcbf753ac>

- NHL: In March 2021, the NHL announced a seven-year deal with ESPN+ for streaming rights to over 1,000 out-of-market games per season, reportedly worth \$2.8 billion.¹⁰¹
- MLB: In May 2021, the MLB signed a seven-year deal with DAZN for streaming rights to 105 games per season, reportedly worth \$300 million in addition to their \$5 billion annual contract with Fox.¹⁰²
- NBA: The NBA is reportedly eyeing a \$75 billion deal for their television rights beginning in 2025.¹⁰³
- MLS: In 2022, the MLS signed a deal with Apple Tv for streaming rights reportedly worth \$2.5 billion over 10 years.¹⁰⁴

Streaming services offer a new and potentially lucrative national revenue source for many sports leagues. The total value of television and streaming contracts has increased dramatically in recent years.¹⁰⁵ This revenue is also rising in proportion to revenues generated by ticket sales, merchandising, and other revenue generated locally. Without intentional adjustment, this may produce an effect of increased revenue sharing by teams over time.

This has come in confluence with fans' increasing interest in nationally based sports stories as social media and internet access has made information, highlights, and coverage of all teams much more broadly available to fans in any market.¹⁰⁶ This has made it easier for fans to

101 <https://nypost.com/2021/03/10/nhl-embraces-future-with-2-8-billion-espn-deal/>

102 <https://smartseries.sportspromedia.com/news/mlb-tv-rights-fox-dazn>

103 <https://www.sportspromedia.com/news/nba-tv-broadcast-rights-2025-nbc-sports-bid-espn-turner-disney-apple-amazon/#:~:text=The%20NBA's%20next%20rights%20cycle,billion%20arrangement%20signed%20in%202014.>

104 <https://theathletic.com/3490012/2022/06/14/mls-agrees-to-10-year-broadcast-deal-with-apple-worth-2-5-billion-sources/>

105 <https://theathletic.com/4477610/2023/05/02/nba-tv-deal-phoenix-suns/>

106 <https://pro.morningconsult.com/trend-setters/gen-z-interest-in-watching-sports>

follow players and teams located further from where individual fans live. As this trend continues, it is possible that a proportionally smaller amount of fans' attention will be tunneled onto their local team.

Participation in the playoffs can provide a significant opportunity for individual teams to generate revenue. Playoffs typically draw larger crowds and generate more media attention, resulting in increased ticket, sponsorship, and merchandise sales. The longer a team remains in the playoffs, the more opportunities they have to generate revenue. In some cases, playoff revenue can make up a significant portion of a team's annual revenue. As a result, playoff success is often a key goal for teams both in terms of on-field performance and financial success. Leagues often also distribute a portion of playoff revenue to all participating teams. Thus, the playoffs serve as a massive pathway for teams to generate revenue individually.

Of note is that owners are typically the most direct beneficiaries of monetary incentives for individual franchises. Players typically have predetermined salaries at the start of the year unless they have performance bonus incentives negotiated with their team or are rewarded via separate mechanisms such as player pools. Players in leagues with salary caps are therefore predominantly incentivized to care about mechanisms for individual team earnings only insofar as it is beneficial for the health of the league as a whole. They stand little to gain for their team being profitable, at least in the short term, and players will likely have the opportunity to be paid by some team in the medium term irrespective of the financial profits or losses of a previous team(s).

16. All Star Games

All-Star games are special events held in many sports leagues, where the best performing or most popular players from different teams are selected to compete against each other in an exhibition match. This showcase event serves to celebrate the league's top talent and provides fans with a unique opportunity to see their favorite players from different teams unite and compete together. These events are an annual event in most major sports leagues and provide a valuable opportunity for players and owners to generate revenue. Direct estimates of economic impact and revenue generation are hard to precisely calculate and are not typically released by private leagues. However, evidence certainly exists of their financial potency. For example, the MLB All-Star Game generated an estimated \$40 million for the league, strictly in ad revenue. 107 Similarly, the NBA's 2019 All-Star Game in Charlotte generated \$167 million in economic impact for the city. 108 The NHL's 2023 All-Star Game generated approximately \$2.4 million in direct Ad Revenue for Disney. 109 These games not only generate significant short-term revenue for the leagues but are sometimes estimated to be extremely valuable to the cities that host them. 110 All-Star games also typically include additional events, such as the NBA's Slam Dunk Contest and the MLB's Home Run Derby, which are designed to generate additional revenue and excitement for fans.

107 <https://www.wabe.org/mlb-all-star-game-is-100m-loss-shift-the-decimal-point-economist-says/>

108 <https://www.crva.com/press/charlottes-basketball-trifecta-contributed-167-million-to-regional-economy>

109 <https://frontofficesports.com/disney-sells-out-ad-time-for-nhl-all-star-weekend/>

110 <https://frontofficesports.com/charlotte-all-star-game/>

17. Maximum Contracts

Of the seven leagues consistently referenced (NBA, NFL, MLB, MLS, EPL, WNBA, NHL), only the NBA and WNBA have maximum contracts, which limit the amount players may sign for. In the NBA, maximum contracts are based on a player's years of service in the league and are determined as a percentage of the salary cap. Aside from a few overriding exceptions, there are three tiers of maximum contracts:

- Players with 0-6 years of experience can earn up to 25% of the salary cap.
- Players with 7-9 years of experience can earn up to 30% of the salary cap.
- Players with 10 or more years of experience can earn up to 35% of the salary cap.¹¹¹

In the WNBA, there is a maximum salary limit for players, which is determined in the league's collective bargaining agreement. As of the 2023 season, the WNBA maximum salary, also prone to similar exceptions, is scheduled to be:

- 2023: \$202,154
- 2024: \$208,219
- 2025: \$214,466
- 2026: \$220,900
- 2027: \$227,577¹¹²

¹¹¹ <http://www.cbafaq.com/salarycap.htm#Q23>

¹¹² <https://fansided.com/2023/01/17/wnba-free-agency-2023-max-contract-explained/#:~:text=The%20current%20WNBA%20CBA%2C%20which,2024%3A%20%24208%2C219>

The other leagues (NFL, MLB, MLS, EPL, and NHL) do not have maximum contracts that limit the amount players may sign for. However, these leagues generally have salary caps or other spending restrictions that indirectly affect player salaries. Most leagues, aside from the EPL, do have effective restrictions on rookie contracts and impose maximum salary amounts through that context. The specific mechanics of how and the precise degree to which these salaries are restricted vary from league to league but it is typical that rookie salaries are in some way restricted.

Maximum salaries and rookie contract maximum salary restrictions are implemented with the intention to promote competitive balance and ensure fair compensation across the league. By establishing a limit on the amount a player can earn, these measures prevent wealthier teams from monopolizing top talent by offering exorbitant salaries. Under controlled conditions of total player compensation throughout the league, this has the effect of redistributing pay from top players to a middle class. The amount some top stars would earn in excess of a maximum contract in an otherwise free market is still spent but is then spent on bidding for players who are still allowed to be further compensated. This serves a mechanically similar purpose to progressive taxes, flattening the distribution of player wealth throughout the league. Insofar as that is a desirable effect, maximum contracts serve as a mechanism for leagues and players to perpetuate it.

Rookie contract maximum salary restrictions ensure that newly drafted or signed players receive compensation that is proportional to their experience and potential. These restrictions are often created with the idea of preventing teams from overpaying unproven talent, allowing them to manage their budgets more efficiently. Furthermore, establishing a standardized pay structure

for rookies serves a purpose of lessening the need for negotiation between newly drafted players and their teams.

18. Media Availability Obligations

Players and coaches are typically required to participate in pre-game and post-game media sessions. In the NBA, for example locker rooms are open to media during a 30-minute pre-game period as well as post-game after a 20-minute cooling-off period.¹¹³ Similarly, the NFL mandates that all players be available to the media following games, as well as during weekly open locker room sessions.¹¹⁴

Head coaches are usually obliged to attend regular press conferences throughout the season to provide updates on team news, injuries, and other pertinent information. In the EPL, managers are required to hold a pre-match press conference for each game, where they discuss team selection, injuries, and other relevant topics. EPL managers have recently begun halftime interviews as well.¹¹⁵

Players, coaches, and staff may receive interview requests from various media outlets. While not all requests are accommodated, major sports leagues generally expect their representatives to participate in a reasonable number of interviews to maintain a positive relationship with the media and promote the sport. For instance, in the MLS, players are expected to be available for media interviews on match days and during weekly media access periods.¹¹⁶

113 <https://pr.nba.com/nba-media-availability-access-policies-2022-23-season/>

114 <https://www.profootballwriters.org/nfl-media-access-policy/>

115 <https://theathletic.com/3481621/2022/08/05/premier-league-managers-half-time-interviews/>

116 <https://www.mlssoccer.com/news/mls-is-back-player-interview-streams>

Many sports leagues encourage players, coaches, and staff to engage with fans and media on social media platforms. In the NBA along with most leagues, players are encouraged to interact with fans on social media and build their personal brand, but they must adhere to the league's social media policy, which prohibits sharing sensitive team information or making offensive comments. This was exhibited recently when Anthony Edwards of the Minnesota Timberwolves was fined \$40,000 for making derogatory and offensive comments on social media, specifically for directing homophobic remarks at a group of shirtless men in a video he posted on Instagram. Although the video was deleted and Edwards issued an apology on Twitter, acknowledging his words as immature, hurtful, and disrespectful, the NBA took action to penalize him for his behavior.¹¹⁷ CBAs can include specific provisions outlining code of conduct policies for players' social media usage, as well as procedures for reviewing and determining appropriate disciplinary actions. In addition to league-wide policies, individual teams may have their own internal guidelines to further regulate social media behavior of their players, coaches, and staff.

Failure to fulfill media availability obligations can also result in penalties, such as fines or suspensions. During the 2015 Super Bowl media week, Seattle Seahawks running back Marshawn Lynch famously repeated the phrase, "I'm just here so I don't get fined," to avoid answering questions from reporters. Lynch was fined \$100,000 by the NFL in the past for not speaking to the media as required.¹¹⁸ Fine amounts and specific restrictions vary, but CBAs generally give leagues the power to regulate player-media interactions through financial punishment.

¹¹⁷ <https://www.cbssports.com/nba/news/unfortunately-for-mavericks-fans-the-latest-example-of-the-kyrie-irving-effect-is-on-full-display-in-dallas/>

¹¹⁸ <https://bleacherreport.com/articles/2344416-marshawn-lynch-at-super-bowl-media-day-im-here-so-i-wont-get-fined>

To prepare players, coaches, and staff for their media obligations, some sports leagues provide media training. It is rare for a CBA to specifically require media training as part of the agreement between a league and its players. However, some leagues may offer media training as a service to their teams, players, and staff. For example, the NBA does not explicitly require media training in its CBA, but the league has been known to provide media training sessions during its Rookie Transition Program.¹¹⁹ This program aims to prepare new players for the various aspects of being a professional athlete, including handling media responsibilities.

In the NFL, the CBA does not explicitly require media training, but the league offers its own Rookie Symposium, which includes media training sessions. Similar to the NBA's Rookie Transition Program, the NFL's Rookie Symposium is designed to help new players acclimate to their roles as professional athletes.¹²⁰ While these programs are not explicitly mandated by the respective CBAs, they reflect a recognition by the leagues that media training is an essential component of preparing players for the professional sports environment. As such, many teams and leagues decide to provide media training, even if it is not explicitly written into the CBA.

19. Drug Testing

In response to growing concerns and investigations surrounding the use of performance-enhancing drugs in professional sports, particularly in Major League Baseball, Congress proposed legislation to establish minimum drug testing requirements across professional sports

¹¹⁹ <https://therookiewire.usatoday.com/2019/08/17/nba-rookie-transition-program-athlete-support-system-draft-two-way-contract/>

¹²⁰ <https://operations.nfl.com/updates/the-players/nfl-rookie-symposium-stresses-history-total-wellness-and-responsibility/>

leagues. Multiple bills have been under consideration that aimed to create such mandatory minimum procedures. These bills included S. 1114; H.R. 2565; H.R. 1862; and H.R. 2516.¹²¹

The proposed legislation is aimed at standardizing drug testing policies and procedures across sports leagues to ensure fairness and integrity. However, these proposed legislations have raised constitutional issues related to search and seizure, equal protection, privacy, self-incrimination, and due process.¹²² Federal law bans or regulates the creation and distribution of many substances such as anabolic steroids, amphetamines, and other drugs of recreational use. However, due to the constitutionality of federal regulation, it is then primarily left to sports leagues to determine much of what they will allow through collective bargaining. When voluntarily negotiated and agreed upon, testing in professional sports has much more legal flexibility.¹²³ Thus it is clear that if there is a substantial amount of drug testing to be involved in professional sports, it must occur through collective bargaining.

Most major sports leagues, such as the NFL, NBA, MLB, and NHL, conduct drug testing both during the season and in the offseason to ensure year-round compliance.¹²⁴ In some cases, leagues also implement additional testing during the postseason, as seen in the NFL, to maintain the integrity of competition during critical stages of the season.¹²⁵

While the focus of drug testing is primarily on performance-enhancing drugs (PEDs), major sports leagues also test for recreational drugs, such as marijuana and cocaine, to protect

121 <http://www.congressionalresearch.com/RL32999/document.php>

122 Rose, LM. "Drug Testing in Professional and College Sports." Office of Justice Programs, 15 citations, www.ojp.gov/ncjrs/virtual-library/abstracts.

123 David M. Washutka, Collective Bargaining Agreements in Professional Sports: The Proper Forum for Establishing Performance-Enhancing Drug Testing Policies, 8 Pepp. Disp. Resol. L.J. Iss. 1 (2007) Available at: <https://digitalcommons.pepperdine.edu/drlj/vol8/iss1/5>

124 Waddington, I., & Smith, A. (2009). An introduction to drugs in sport: Addicted to winning?. Abingdon, UK: Routledge.

125 Haugen, Kjetil. (2012). The doping self-reporting game: The paradox of a 'false-telling' mechanism and its potential research and policy implications. Sport Management Review. 15. 10.1016/j.smr.2012.04.002.

the health and well-being of athletes and uphold the leagues' reputations.¹²⁶ For instance, the NBA and NFL have specific policies in place for testing and penalizing players for the use of recreational drugs. Major sports leagues also test for a wide range of PEDs, including anabolic steroids, human growth hormone, stimulants, and other banned substances. The World Anti-Doping Agency (WADA) is an international organization that aims to promote, coordinate, and monitor the fight against doping in sports worldwide. Many international leagues follow WADA guidelines and protocols and major North American sport leagues, while not strictly adhering to WADA, are generally influenced by its policies.¹²⁷ Strict compliance and thus the specific list of prohibited substances varies between leagues, but all generally share an objective of detecting and deterring the use of substances that provide an unfair competitive advantage or pose health risks to athletes.

Random, unannounced testing is a key component of drug testing programs in most major sports leagues, such as the NFL and MLB.¹²⁸ This approach ensures that athletes cannot predict when they will be tested, making it more difficult to evade detection. Random testing is conducted throughout the year, both during the season and in the offseason, to maintain year-round compliance.

Most sports leagues also incorporate scheduled testing into their drug testing programs, which may involve testing all athletes at specific times during the season, such as at the beginning of the season or during training camps. This approach ensures that all athletes are tested at least once, providing a baseline for comparison with subsequent random tests. Tests are also typically eligible to occur throughout the entirety of the season and during the offseason.

126 Dimeo, P. (2014). *The anti-doping crisis in sport: Causes, consequences, solutions*. Abingdon, UK: Routledge

127 Waddington, I., & Smith, A. (2009). *An introduction to drugs in sport: Addicted to winning?*. Abingdon, UK: Routledge

128 Dimeo, P. (2014). *The anti-doping crisis in sport: Causes, consequences, solutions*. Abingdon, UK: Routledge

The frequency of drug testing varies between sports leagues, depending on factors such as the perceived risk of doping, the size of the athlete population, and available resources. On average, athletes in major sports leagues, like the NBA and MLB, can expect to be tested multiple times per year, with the possibility of additional testing if they are selected for random or targeted testing.¹²⁹

20. Stadium Quality

Stadium quality plays an essential role in ensuring the safety and comfort of athletes, officials, fans, and media personnel attending sports events. Major sports leagues have recognized the importance of maintaining high standards for their stadiums and resultantly many have included provisions in their collective bargaining agreements to address these concerns.¹³⁰

The majority of sports leagues emphasize the importance of maintaining a safe and clean environment in their stadiums.¹³¹ This may include ensuring that the playing field is free from hazardous conditions and that the stadium's facilities, such as restrooms and concession areas, are well-maintained and clean. Examples of such provisions can be found in the MLB, NBA, and NFL CBAs, which require teams to maintain "first-class" playing fields, "a high level of cleanliness and decorum," and "an environment that is safe and free from hazardous conditions" respectively.^{132 133 134}

129 Petróczi, A., & Haugen, K. K. (2012). The doping self-reporting game: The paradox of a 'false-telling' mechanism and its potential research and policy implications. *Sport Management Review*, 15(4), 513-517.

130 Nixdorf, S. (2008). Stadium atlas: Technical recommendations for grandstands in modern stadia.

131 Nixdorf, S. (2008). Stadium atlas: Technical recommendations for grandstands in modern stadia.

132 <https://www.mlbplayers.com/cba>

133 <https://nbpa.com/cba>

134 <https://operations.nfl.com/inside-football-ops/players-legends/2020-nfl-nflpa-cba-need-to-know/>

Sports leagues also generally attempt to provide a comfortable environment for all stakeholders involved in events. This may include ensuring adequate seating for fans, appropriate facilities for media personnel, and comfortable locker rooms for players and officials. The NBA's CBA, for instance, requires teams to provide "a safe and comfortable environment for players, officials, fans, and media".¹³⁵

Maintaining high-quality playing fields is crucial to ensure the safety of athletes and the integrity of the competition.¹³⁶ Leagues often include provisions in their CBAs that require teams to maintain the playing fields to specific standards. For example, the NFL's CBA requires teams to "maintain the playing field in a safe condition"¹³⁷, while the MLB's CBA mandates that teams maintain "first-class" playing fields.¹³⁸

While provisions in CBAs address the minimum standards for stadium quality, the responsibility for stadium improvements and renovations generally falls upon team owners. Owners may choose to invest in upgrading their stadiums to enhance the fan experience, attract more spectators, and increase revenue.¹³⁹ In many cases, team owners collaborate with local governments and seek public funding to support the construction or renovation of stadiums, often under the premise that the project will stimulate local economic development and job creation. Cities that sponsor stadium construction or renovation projects often view these investments as a means to generate economic benefits for the local community, such as increased tourism,

135 <https://nbpa.com/cba>

136 Nixdorf, S. (2008). Stadium atlas: Technical recommendations for grandstands in modern stadia.

137 <https://operations.nfl.com/inside-football-ops/players-legends/2020-nfl-nflpa-cba-need-to-know/>

138 <https://www.mlbplayers.com/cba>

139 Siegfried, J., & Zimbalist, A. (2002). A note on the local economic impact of sports expenditures. *Journal of Sports Economics*, 3(4), 361-366.

consumer spending, and tax revenue.¹⁴⁰ This allows teams to garner additional funding separate from their league or individual revenue streams.

Leagues also, though, sometimes incentivize individual teams to invest in stadium quality and upgrades beyond minimum requirements. The NFL provided a key investment strategy in 2003 with the creation of their G3 investment fund. The fund was designed to take out loans as a league entity to pool a fund from which individual teams could make proposals to the league office to borrow from.¹⁴¹ The EPL also has a similar stadium fund designed to support clubs throughout its football pyramid to make improvements to their stadiums.¹⁴² Implementation of this process is designed to allow teams to borrow money at lower interest rates that they would have otherwise been able to receive operating individually. The league is thereby also able to incentivize individual teams to invest in such a way that the rest of the league would consider their decisions financially viable and positive for the league as a whole.

The NFL's G3 fund ran out in 2011 and was renewed with what today is called the G4 fund. This G4 fund will help the Buffalo Bills fund \$200 million of their projected \$1.354 billion new stadium. The majority of the cost is expected to be funded by public tax dollars.¹⁴³ Such improvements serve as an example of one of the ways in which league entities can improve the degree and quality of investments made in teams' individual stadiums.

140 Siegfried, J., & Zimbalist, A. (2002). A note on the local economic impact of sports expenditures. *Journal of Sports Economics*, 3(4), 361-366.

141 NFL G-3 and G-4 Credit Facility Has Made Possible New State-of-the-Art Stadiums." Greenberg Law Office. Accessed 20 May 2023. <https://www.greenberglawoffice.com/nfl-credit-facility-has-made-possible-new-state-of-the-art-stadiums/>

142 <https://www.premierleague.com/communities/programmes/community-programmes/premier-league-stadium-fund>

143 <https://apnews.com/article/kathy-hochul-buffalo-bills-nfl-business-sports-5c1d8f41c66fc2116fe852a9c16e717d>

Evaluating League Trends and Structures

Revenue Expansion Opportunities and Governance

1. League Level Decision Making

Effective decision making and governance at the league level are vital for the long-term success, stability, and fairness of sports leagues. Productive league-level decisions ought to take into account stakeholders' interests, representation, and the balance between fairness and league objectives. Representation of all teams and collective player representation are critical aspects of league-level decision making. Implementing protocols, governance structures, and entities that are perceived as fair by all parties involved, including players and owners can benefit leagues by leading to cooperative bargaining and operation in good faith throughout the league. Moreover, transparency, procedural fairness, and the inclusive representation in the design of league governance are essential in maintaining trust and cooperation among all stakeholders.¹⁴⁴ Perceptions of procedural fairness in negotiation processes have been found to result in increased perceptions of substantive fairness, improved relations between negotiators, and even reduced need for face-saving choices that may not be in negotiators' economic self-interest.¹⁴⁵ These findings underscore the significance of fair and transparent procedural operation not only within collective bargaining, but in between negotiations, promoting positive relationships and long-term success for sports leagues. The exact logistics of implementation may vary, but generally several mechanisms can be seen to contribute towards these motives.

144 Sánchez, L.C., et al. (2020). Fans in the ownership of Big Five leagues: lessons for better football governance. *Soccer & Society*, 22(3), 355-371.

145 Welsh, Nancy A.. "Perceptions of Fairness in Negotiation." *Negotiation & Dispute Resolution eJournal* (2004): n. pag.

The establishment of a Board of Governors is an approach to governance that aims to consider the interests of competing stakeholders. This collective decision-making process, incorporating representatives from all teams, allows for a comprehensive understanding of the league's challenges and opportunities.¹⁴⁶ By giving teams equal voting power, democratic systems counteract the potential influence of wealthier teams, promoting long-term competitive balance and perceptions of fairness for all parties involved.

Independent review boards or committees, separate from team owners or players, can also be established to oversee transactions, collusion prevention, and fair decision-making processes. These bodies ensure transparency, accountability, and impartiality in critical league-level decisions. By having an independent oversight mechanism in place, the league can demonstrate its commitment to upholding ethical standards and ensuring that decisions are made in the best interest of the league as a whole. These bodies provide an added layer of checks and balances, promoting trust among stakeholders and reducing the potential for conflicts of interest.

A league office should typically be implemented to act as an administrative hub, responsible for managing day-to-day operations, implementing league policies, and serving as the central point of contact for teams, players, and stakeholders. Involving teams and player representation in league decision-making processes ensures procedural fairness, strengthens relations, and promotes buy-in from all parties involved. The league office plays a crucial role in enforcing league policies, resolving disputes, and maintaining consistency in decision-making. By fostering collaboration and inclusivity, the league office can create an environment that values input from all stakeholders, leading to more effective and well-informed decision making.

146 Morales, N., & Schubert, M. (2022). Selected Issues of (Good) Governance in North American Professional Sports Leagues. *Journal of Risk and Financial Management*, 15(4).

Another crucial element of league-level decision making is the role of the league commissioner. The commissioner acts as a central authority responsible for enforcing league policies and ensuring the league's integrity and objectives are upheld. However, it is essential to strike a balance between perceptions of fairness and the league's interests. The NFL, for example, has employed vigorous authoritative enforcement of its conduct policy, which some argue has allowed the commissioner to swiftly act upon matters in the league's best interest.¹⁴⁷ Other literature suggests that a separation of powers within the league, limiting the commissioner's authority, can contribute to checks and balances that prevent potential abuses of power.¹⁴⁸

Another consideration for league governance is the creation of league-level infrastructure and decision-making processes that prioritize long-term considerations is crucial for sustained growth and value creation. The implementation of such mechanisms to monitor and consider the league's long-term interests help to ensure effective decision making and strategic management.¹⁴⁹ While teams primarily focus on day-to-day operations and immediate performance, the league can take a broader perspective and address matters that individual teams might overlook. By intentionally considering long-term concerns such as youth participation, grassroots development, and expanding markets, the league can foster a more comprehensive and sustainable ecosystem for the sport. This intentional focus on long-term value creation benefits the league as a whole and opens up new opportunities for revenue generation and fan engagement. The Australian Football League (AFL), for example, has implemented independent

147 Ambrose, R.H. (2008). The NFL Makes It Rain: Through Strict Enforcement of Its Conduct Policy, the NFL Protects Its Integrity, Wealth and Popularity. *William Mitchell Law Review*, 34(4).

148 Parlow, M.J. (2010). Professional Sports League Commissioners' Authority and Collective Bargaining. *Texas Review of Entertainment & Sports Law*, 11.

149 Morales, N., & Schubert, M. (2022). Selected Issues of (Good) Governance in North American Professional Sports Leagues. *Journal of Risk and Financial Management*, 15(4).

boards and entities aimed at promoting the sport at the national level, which demonstrates the importance of having a centralized entity that can oversee and coordinate initiatives beyond the scope of individual teams.¹⁵⁰ By strategically investing in long-term growth and development, leagues can ensure their continued success and relevance in ever-evolving sports landscapes.

League-level decision making and governance are crucial for the success, stability, and fairness of sports leagues. Representation, democratic voting systems, and the balance between fairness and league interests are fundamental aspects of effective decision making. By considering stakeholders' interests and employing transparent and inclusive processes, leagues can foster a sense of procedural fairness, legitimate regulatory enforcement, and visionary oversight that leads to better negotiations, trust, and long-term success.

2. Expanding Number of Games and Calendar Duration of Season

Sports leagues are continuously seeking to optimize their operations and maximize their revenue, and expanding the number of games and the calendar duration of the season is one such strategic approach. Increasing the number of games inherently opens up more direct opportunities for revenue, whether through ticket sales, broadcasting rights, or increased merchandise sales. However, such an expansion doesn't exist in a vacuum. It carries with it implications for several important considerations that underpin the successful operation of a sports league. This is why sport seasons are not year round in duration. The potential for scheduling conflicts, maintaining fan engagement, ensuring adequate rest and recovery time for players, and even preserving the special status and anticipation that a new season brings, are all factors that need to be balanced against the prospect of immediately increased revenue. Too

¹⁵⁰ Macdonald, R., & Booth, D. (2022). Governance and decision-making in Australian football. Report to the Australian Football League.

many games or an overly long season can lead to a complex web of challenges, which, if not managed properly, could negate the benefits of the additional opportunities for revenue.

Therefore, the decision to expand the number of games and the length of the season must be carefully considered, taking into account the intricate interplay of these factors.

Considering the overlap of seasons with other popular sports and regional preferences can help leagues optimize their schedules to maximize fan interest and engagement. By adjusting the calendar duration of the season, leagues can avoid direct competition with other major sporting events and capitalize on periods when fan interest is at its peak. To accomplish this, many sports leagues have their active seasons during different parts of the year. For instance, in the U.S., the NFL season runs primarily in the fall and winter, the NBA and NHL in the winter and spring, and MLB in the spring and summer. This allows each league to have a period of the year where it is the primary focus. Given the growing global popularity of various sports, emerging leagues are not likely to have a section of the calendar reserved for themselves. However, as they evolve it makes sense to consider which competing leagues and sports are most popular and when their seasons take place.

Intraweek scheduling conflicts are also something worthy of consideration. Perhaps the most prominent example of routine weekly scheduling is the NFL's domination of Sundays. It would not make sense for other leagues to schedule their highest priority events at the same time in which fans, who likely have overlapping interest, will be drawn to watch a separate event. With an overlapping season in the fall, NCAA Football generally schedules their games on Saturdays while the NFL completely avoids Saturdays. This sort of coordination, actively discussed or otherwise, allows fans to watch more live games in total. This functions as an

interleague integrative practice that expands the total viewership and engagement possible amongst the leagues.

Furthermore, leagues consider intraday scheduling conflicts such as organizing their own games throughout mornings, afternoons, and nights to avoid concurrent programming. This allows fans to tune in for a larger portion of the day and also increases the likelihood of capturing different audiences based on their daily routines and time zone differences. A great example of this approach is the Premier League, which schedules its matches throughout the day, allowing both domestic and international fans to catch a game at a convenient time.¹⁵¹

Major event coordination is another productive strategy that sports leagues employ to avoid scheduling conflicts. Major events such as the Super Bowl, the World Series, NBA Finals, and the FIFA World Cup are strategically scheduled so they don't overlap with one another. This planning allows each event to capture the global sports spotlight and maximize viewership. In addition to avoiding competition, this also helps in attracting sponsors who want to associate their brands with these high-profile events.

On some occasions, global governing bodies play a crucial role in ensuring there's little overlap between major events. For example, FIFA and UEFA coordinate their schedules to ensure that the World Cup and the European Championships don't occur in the same year.¹⁵² This minimizes conflicts and allows fans to fully engage with each tournament. It's an approach that supports the global nature of these sports, and it's a strategy that newer leagues could consider as they develop international audiences. While more games lead to more direct opportunities for revenue, too many games can reduce scheduling flexibility and too long of a

151 <https://www.theguardian.com/football/2013/jun/15/fixtures-premier-league-football-league-compiled>

152 <https://www.fifa.com/about-fifa/organisation/fifa-council/media-releases/fifa-council-approves-international-match-calendars>

calendar duration of the season can lead to scheduling conflicts that reduce theoretical viewership potential.

Reducing the number of games can lead to increased fan interest in each individual game, as fans may perceive each game as more valuable or meaningful. Conversely, increasing the number of games could lead to a decrease in the perceived meaningfulness of each game. All other things being equal, it makes sense for leagues to prioritize the meaningfulness of their games. This can lead to higher attendance, more intense fan engagement, and a heightened sense of excitement surrounding each game.

The NFL and the NBA offer contrasting models in terms of the number of games in a season and their impact on viewership. The NFL operates on a 17-game regular season schedule, a small number when compared to the NBA's 82-game regular season. The scarcity of games in the NFL often leads to each game garnering significant attention, with games generally having higher individual viewership. The infrequency of games, combined with the tradition of holding most of them on Sundays, has made NFL games a event of sorts, attracting large viewership for each game.

On the other hand, the NBA's extensive 82-game schedule spreads fan attention over a larger number of games. While this means that individual NBA games may not attract as large an audience as an NFL game, the total number of games provides more opportunities for fan engagement and can lead to large cumulative viewership over the course of a season.

The NFL and NBA, despite their significantly different season structures, both successfully draw large audiences. In 2022, the NFL had an average viewership of 17.1 million viewers, while the NBA had an average viewership of 1.9 million viewers. However, the NBA

had a total viewership of 2.1 billion, while the NFL had a total viewership of 1.9 billion.¹⁵³ This suggests that there is more than one effective approach to scheduling a sports season. Different strategies can yield high viewership and fan engagement, distributed across different amounts of time and games.

While the total viewership figures for both leagues reflect various factors beyond just the duration of the season, it's potentially the case that both leagues could be able to employ various season structures while maintaining similar levels of total viewership and impressions. The tradeoff here lies in the balance between the quantity of games and the interest each game can generate. It is unclear whether either league would stand to benefit in total viewership from designing a schedule format more similar to the other.

However, assessing this hypothesis is challenging due to the lack of comparable leagues. There is no plethora of comparable leagues with the same sport, region, and size employing various scheduling strategies. This makes it difficult to draw concrete conclusions. Nevertheless, the potential trade-off between the number of games and the intensity of interest in each game provides a compelling theoretical consideration for leagues when deciding on their season structure.

The balance between increasing the number of games and providing players with adequate rest and recovery is critical when considering the expansion of a season. One must consider not only the immediate potential for increased revenue but also the long-term implications for player career longevity, mental health, and the quality of play.

¹⁵³ <https://www.forbes.com/sites/bradadgate/2023/01/12/the-audience-disparity-of-nfl-games-and-everything-else-widens/?sh=744268c1113a>

Reducing the number of games and prioritizing rest could potentially extend players' careers. Healthier players are more likely to avoid injuries that could dampen their careers¹⁵⁴, allowing the league to retain star players for longer periods. This should increase fan engagement and also maintain stars within the league over time if players are better able to sustain high levels of performance throughout their careers.

Furthermore, beyond physical health, rest and recovery significantly impact the mental well-being of players. A balanced schedule, considering both the number of games and the calendar duration of the season, can help prevent burnout, stress, and mental health issues. These factors are increasingly recognized as integral components of an athlete's overall performance.¹⁵⁵

Lastly, the quality of play is another crucial factor to consider. Fatigued players can negatively impact the quality of play, potentially making games less exciting for fans.^{156 157} By moderating the number of games, leagues can ensure a high level of effort in competition, theoretically resulting in more engaging games. This could ultimately lead to higher ticket sales and TV ratings, contributing to the league's long-term financial success and stability.

Professional Footballers Association chief executive Maheta Molango's perspective concurs,

“It's not just a question of player wellbeing, if we're to look at this from a business perspective, if they aren't the best versions of themselves, that's not what the fans want to see. And if the fans don't get a good show, they don't want to pay for the tv rights. If they don't pay for the tv rights, it's even less money. And so there's no point thinking that those guys are machines, who can just play on

154 Calligeris, Theodore et al. “The incidence of injuries and exposure time of professional football club players in the Premier Soccer League during football season.” *South African Journal of Sports Medicine* 27 (2015): 16-19.

155 Buman, M. P., Brewer, B. W., Cornelius, A. E., Van Raalte, J. L., & Petitpas, A. J. (2008). Hitting the wall in sport: Physical activity and mental fatigue. *Journal of Sport and Exercise Psychology*, 30(2), 229-245.

156 Edwards, Toby et al. “Monitoring and Managing Fatigue in Basketball.” *Sports* 6 (2018): n. Pag.

157 Suchomel, Timothy J. and Christopher A. Bailey. “Monitoring and Managing Fatigue in Baseball Players.” *Strength and Conditioning Journal* 36 (2014): 39–45.

Tuesday, travel however many kilometers, play on Sunday, perform, travel again on Tuesday... no!”¹⁵⁸

3. Expanding Number of Franchises

When considering the expansion of the number of franchises or teams, leagues must carefully analyze various factors to ensure that expansion contributes positively to long term value creation. These factors include market and geographic demand, player talent, the potential impact on existing teams, and competitive rivals.

Market and geographic demand play a crucial role in determining whether expansion is a viable option for a sports league. Leagues should assess the fan interest and revenue potential in new markets, as expansion in areas with significant demand can lead to increased fan engagement and revenue opportunities, including a higher number of games and additional revenue streams. Moreover, reaching new markets can broaden the sport and help establish a presence in previously untapped regions.¹⁵⁹ Combining market and geographic demand ensures that expansion caters to both existing fans and potential new customers.

Player talent is another essential factor to consider. Expanding a league can dilute the pool of talent available, which may result in a decline in the overall quality of play. Leagues should assess the available talent and ensure that expansion does not negatively impact their ability to showcase top players, as this can affect fan interest and the league's reputation.

Leagues should also consider the potential impact on existing teams when deciding on expansion. Expanding too aggressively could harm the fan base and revenue potential of nearby

158 <https://theathletic.com/4199705/2021/09/15/fixture-congestion-is-the-number-one-problem-for-players-in-england-pfa-chief/>

159 Semmelroth, Dirk et al. “Where to Go Next? Examining the Effect of Franchise Expansion and Location on Game-Level Attendance in Major League Soccer.” *Journal of Sports Economics* 23 (2022): 524 - 547.

teams, as the new team may draw fans and resources away from the established franchises.¹⁶⁰ To minimize this risk, leagues can analyze the proximity and fan overlap between potential expansion markets and existing teams.

Towards their inception, leagues should generally look to expand more readily to create familiarity in the market and be less stringent than they would typically be when weighing the immediate costs and benefits once more firmly entrenched as a league. Furthermore, leagues should leverage first mover advantages by encouraging expansion early in their formation. By expanding strategically and lowering expansion fees, leagues can deter the formation of credible rival leagues, strengthening their position in the market and securing long-term growth.¹⁶¹

Historically, expansions and relocations have been responses to rival leagues or attempts to exploit weaknesses in the incumbent league. Often, the incumbent league emerges from the rivalry stronger and more stable, having been forced to address weaknesses or developed through a merger, partial merger, acquisition or, most commonly, a failed rival league.¹⁶² Leagues should remain vigilant in monitoring their competitive landscape and be prepared to respond to potential challenges accordingly.

The EuroLeague, Europe's top-tier professional basketball club competition, went through a significant structural shift in the 2016-17 season, reducing its number of teams from 24 to 16.¹⁶³ In contrast to the franchise model typical in American sports, the EuroLeague operates on a semi-closed model where eleven teams hold long-term licenses for participation, and the

160 Winfree *, Jason A. et al. "Location and attendance in major league baseball." *Applied Economics* 36 (2004): 2117 - 2124.

161 Rascher, Daniel. "Franchise Relocations, Expansions, and Mergers in Professional Sports Leagues." (2007).

162 Rascher, Daniel. "Franchise Relocations, Expansions, and Mergers in Professional Sports Leagues." (2007).

163 Krumer, Alex & Di Mattia, Alessandro. (2022). Fewer teams, more games, larger attendance? Evidence from the structural change in basketball's EuroLeague.

remaining five spots are open to associated clubs that qualify through domestic league performance or regional competitions.

The quality of play is a crucial consideration in league expansion. A league's value is fundamentally tied to the performance and excitement it delivers on the field, court, or ice. Expansion decisions are not always in the positive direction, either. For instance, the EuroLeague's decision to reduce its number of teams from 24 to 16 in the 2016-17 season led to an increase in the quality of play, which resulted in larger attendance.¹⁶⁴ It is important to note that, in contrast to the franchise model typical in American sports, the EuroLeague operates on a semi-closed model where eleven teams hold long-term licenses for participation, and the remaining five spots are open to associated clubs that qualify through domestic league performance or regional competition.¹⁶⁵ Typically, this is less legally feasible in franchise based leagues. However, the EuroLeague's directive still illustrates key principles at play in decisions of expansion.

Team or franchise expansions nor reductions are not inherently value creating. Instead, a balance must be struck with the talent pool as a major consideration. Star players, exciting unique talent, and a high quality of play across the league are vital to maintaining fan interest and driving revenue. In times of plentiful talent, leagues ought to be mindful of the potential for diminishing marginal returns when talent cannot get sufficient time on the court, field, or ice. Conversely, leagues should also be aware of stretching their player pool too thin and unnecessarily showcasing sub par talent. Thus, a carefully managed balance of talent

164 Krumer, Alex & Di Mattia, Alessandro. (2022). Fewer teams, more games, larger attendance? Evidence from the structural change in basketball's EuroLeague.

165 <https://www.agonasport.com/euroleague-format>

distribution, team quantity, and resulting quality of play can help contribute to the league's overall appeal and success.

Market and geographic demand, player talent, and the potential impact on existing teams should be thoroughly analyzed when considering expansion. Optimal size of a league is context dependent and will be influenced by many factors such as these. There is evidence, though, that leagues should generally be more biased towards expansion in their formative years and remain responsive to market dynamics. By considering these factors, leagues can make informed decisions aimed at long-term growth, stability, and fan engagement.

Measures for Competitive Balance

4. Salary Caps and Exceptions

As the NBA likely reaches a new broadcasting deal ahead of the 2025-2026 season, the deal will likely be large enough to significantly increase their salary cap. This may strongly disincentivize players from signing extensions (players may currently only sign extensions worth up to 120% of their previous salary) under the current rules.¹⁶⁶ In order to avoid an unwanted increase in player movement that this may lead to, the league will likely address this with new extension rules in the new CBA.

Without cap smoothing, major catalysts for changes in revenue such as new broadcasting deals will disproportionately increase amounts of money allowed to be spent on players in random off-seasons. This will lead to a sudden influx of salary cap space for teams during those particular off-seasons, creating an uneven playing field in terms of player acquisition and contract negotiations. When there is a lack of cap smoothing, some players who happen to be

¹⁶⁶ <https://www.forbes.com/sites/bryantoporek/2021/11/29/the-nba-needs-to-tweak-its-extension-rules-in-the-next-cba/?sh=d654aa3312aa>.

free agents during a cap spike will receive significantly larger contracts than they otherwise would have in a more stable cap environment. This can result in a few players benefiting greatly from the increased cap space, while others miss out due to the timing of their free agency.

A prime example of this issue is the 2016 NBA salary cap spike, which was primarily caused by the league's new broadcasting deal. The sudden increase in cap space allowed the already dominant Golden State Warriors, who had just set a regular-season wins record with 73 victories, to sign superstar Kevin Durant. This move upset the competitive balance in the league, as it created a superteam that went on to win two consecutive NBA championships.¹⁶⁷

The lack of cap smoothing also leads to a less equitable distribution of money among players. While some players can cash in on the increased cap space during a cap spike, others who become free agents in different off-seasons may not have the same opportunities for lucrative contracts. This arbitrary allocation of resources is not ideal for leagues that aim to maintain competitive balance and fairly compensate players based on their on-court value.

Cap smoothing is a relatively simple and low-cost solution to mitigate these issues. By gradually adjusting the salary cap in response to changes in revenue, leagues can avoid sudden cap spikes and the resulting disruptions to competitive balance. This approach allows for a more consistent and predictable cap environment, which benefits both teams and players in the long run. With cap smoothing in place, leagues can maximize their long-term value by fostering a more balanced and equitable competitive landscape

Some pundits such as Matt Snyder have argued that leagues such as MLB do not require a salary cap to maintain competitive balance. He provides examples of small-market teams, like

¹⁶⁷ Cap smoothing a low cost fix to potentially large problems with competitive balance (Duncan, Nate, DUNC'D ON, "Eric Pincus CBA Nerdy", March 23, 2022) <https://podcasts.apple.com/us/podcast/duncd-on-basketball-nba-podcast/id986901174?i=1000555071432>

the Tampa Bay Rays and Kansas City Royals, who have experienced success despite lower payrolls.¹⁶⁸ Snyder also compares MLB with leagues such as the NBA, where salary caps exist but have not necessarily led to greater parity. For instance, he notes that the NBA has seen dominant teams like the Golden State Warriors and Cleveland Cavaliers, despite having a salary cap in place (CBS Sports).¹⁶⁹ Furthermore, in the NFL and NBA compared to MLB, distribution of winning percentages have not necessarily reflected salary caps' creation of competitive balance.¹⁷⁰

However, league wide analysis might not necessarily reflect small minorities of teams that are able to outcompete via spending on a statistically significant level, nor small minorities of teams which avoid fully investing in winning due to financial incentives.

Additionally, salary caps and related mechanisms are designed not strictly for the purposes of providing variation in who is crowned champion each year. They also serve the purpose of promoting a sense of fairness and equity throughout the league. The witnessing of dynasties might not be what fans are averse to, per say, so much as the feeling that dynasties or champions can be created simply through increased spending. To the extent that teams can decide to outspend others and readily outcompete them, it obfuscates the value and purpose behind so much of what fans follow. The strategizing of player trades, free agency, drafting, player development, and coaching is a huge part of the fan experience. Mitigating its importance by creating an environment or perception of a league in which financial aptitude is the primary driver of success can do a disservice to many of its fans even if multiple teams are able to win

168 Snyder Feb 14, Matt. "Why Major League Baseball Does Not Need a Salary Cap for the Sake of Parity." CBSSports.com, 14 Feb. 2022, <https://www.cbssports.com/mlb/news/why-major-league-baseball-does-not-need-a-salary-cap-for-the-sake-of-parity/>.

169 Snyder Feb 14, Matt. "Why Major League Baseball Does Not Need a Salary Cap for the Sake of Parity." CBSSports.com, 14 Feb. 2022,

170 Totty, Evan & Owens, Mark. (2011). Salary Caps and Competitive Balance in Professional Sports Leagues. Journal for Economic Educators. 11.

championships. Paying attention to what is allowed to drive success matters at the level of how teams win championships, create dynasties, and generally ascend throughout a league's competitive hierarchy.

While certainly not a standalone guarantee of competitive equanimity, salary caps are generally a vote cast in the direction of more equitable competitive balance. They prevent wealthier teams from dominating the league simply because they can pay for and attract top talents and stabilize the financial success of win-maximizing clubs.¹⁷¹ Teams may rise to dominance due to other factors, but this is not necessarily destined to create the same effect as the sense that teams have unfair advantages over others. For example, the two dominant NBA teams that Snyder references promoted historically large television viewership. The rivalry between these teams attracted audiences rather than deterring them. Game 7 of the NBA Finals between the Cavaliers and the Warriors in 2016 drew 30.8 million viewers, becoming the most-watched NBA Finals since Game 6 of the 1998 NBA Finals.¹⁷² What likely led to the consideration of these dominant teams as attractive was that organizational competence, homegrown star power, and internal growth from within their organizations was complimented by free agency acquisitions that any other team could have theoretically made, rather than being fueled by unique financial advantages.

Some players and player associations may initially resist the idea of salary caps, fearing potential negative impacts on player revenue. However, studies have shown that salary caps do not necessarily affect the distribution of revenue between players and owners. For example, the MLB, which has long resisted implementing a salary cap, has a similar player-owner salary

171 Dietl, Helmut & Franck, Egon & Lang, Markus & Rathke, Alexander. (2011). Salary Cap Regulation in Professional Team Sports. *Contemporary Economic Policy*. 30. 10.1111/j.1465-7287.2011.00265.x.

172 <https://www.si.com/media/2016/06/20/nba-finals-game-7-tv-ratings-viewers-cavaliers-warriors>

distribution as other leagues with caps in place.¹⁷³ Furthermore, CBAs can explicitly define the player-owner revenue split while still implementing a salary cap, allowing both parties to negotiate a mutually agreeable revenue distribution independent of the salary cap's utility. This approach ensures that the benefits of competitive balance brought about by salary caps can be realized without compromising the player-owner revenue distribution. As a result, players and owners should ideally be open to the idea of salary caps, given their potential to promote league-wide competitive balance, enhance fan engagement, and drive growth, all without adversely impacting the negotiated revenue split between players and owners.¹⁷⁴

Salary caps and related mechanisms are generally a positive long term value add for leagues. They promote competitive balance which is a positive contributor to revenues¹⁷⁵ as well as creating intricacies and strategies of roster constriction that lead to media content, excitement for fans, and greater appreciation of the forces driving team success.

5. Draft Order - Success Inversion, Lotteries, Picks Awarded

Drafts are integral to the long-term success and strategic planning of sports teams. They are the primary avenue through which teams introduce new talent and bolster their rosters, impacting the competitive landscape and the strategic decisions teams make in constructing their rosters. The allocation of draft picks, in particular, influences competitive balance and the strategic landscape of roster construction.

173 Zimbalist, Andrew. "Reflections on Salary Shares and Salary Caps." *Journal of Sports Economics*, vol. 11, no. 1, Feb. 2010, pp. 17–28, doi:10.1177/1527002509354890.

174 Zimbalist, Andrew. "Reflections on Salary Shares and Salary Caps." *Journal of Sports Economics*, vol. 11, no. 1, Feb. 2010, pp. 17–28, doi:10.1177/1527002509354890.

175 Dietl, Helmut & Franck, Egon & Lang, Markus & Rathke, Alexander. (2011). *Salary Cap Regulation in Professional Team Sports*. *Contemporary Economic Policy*. 30. 10.1111/j.1465-7287.2011.00265.x.

The traditional method of drafting in reverse order of success is one that is deeply ingrained in many sports leagues, designed to promote competitive balance by providing the least successful teams with the first chance to pick incoming talent. In theory, this system creates an environment of hope for struggling teams, offering a clear path towards improvement. However, this approach is not without its pitfalls. Teams drafting in reverse order of success have often followed an incentive to lose intentionally¹⁷⁶, commonly referred to as tanking. This practice, while strategically sound in some respects, can be detrimental to the league's image and the quality of competition, particularly late in the season.

To counteract this issue, various leagues have implemented or considered alternative draft systems. The lottery system, for example, utilized by the NBA, WNBA, and NHL, introduces an element of randomness to the draft order, designed to discourage tanking by decreasing the relative value of each loss. However, this approach can lead to its own set of challenges, such as decreased perceptions of fairness and the unintended consequence of incentivizing teams to miss the playoffs if they believe their championship aspirations are slim.

Other alternatives exist, though many have yet to gain significant traction due to their complexity or departure from tradition. Drafting based on playoff elimination dates is one such approach (FiveThirtyEight). This system could incentivize teams to strive for success throughout the entire season. Another alternative involves basing the draft order upon wins after playoff elimination, thereby encouraging teams to continue competing even after they've been eliminated from playoff contention.¹⁷⁷ However, these methods could still be prone to more complex manipulation by teams extremely interested in acquiring top draft picks.

176 Tuck, Geoffrey N., and Athol R. Whitten. "Lead Us Not into Tanktation: A Simulation Modelling Approach to Gain Insights into Incentives for Sporting Teams to Tank." PLoS ONE, vol. 8, no. 11, 2013, doi:10.1371/journal.pone.0080798.

177 <https://fivethirtyeight.com/features/how-to-stop-nba-tanking-tie-your-fate-to-another-teams-record/>

Furthermore, numerous innovative proposals have been put forth by media members, fans, and executives. While these ideas offer fresh perspectives and potential solutions, none have been stress-tested by major sports leagues and may face resistance due to tradition and status quo bias.

One perspective to consider is that long-term resource allocation for the sake of future competitiveness might not inherently be a problem for a league. It could even be argued that such strategies are part of a team's legitimate competitive tactics, provided they aim towards future championship contention. It is still crucial, though, to maintain perceptions of fairness and competitiveness. However, when teams appear to manipulate outcomes of individual games or deliberately underperform late in the season, leagues may face critiques regarding the integrity of the game. This suggests the need for a draft system that encourages teams to maximize the potential of their existing resources, including coaches and players, in each game. However, the efficacy and acceptance of such systems may require careful evaluation, potentially through experimental iterations and assessment of fan responses over time.

The implementation of drafts and the rules surrounding them can have significant implications for the strategic landscape of roster construction and the overall competitive balance within leagues. While each approach comes with its own set of advantages and challenges, the ultimate goal should be to promote a system that encourages competition, maintains fairness, and discourages practices such as tanking that can be detrimental to the league's overall integrity and reputation. As leagues continue to evolve and grow, they should at least remain open to innovative approaches that promote these goals and contribute to long-term value creation through increasing quality of play, competitiveness, and protecting a sense of 'integrity' of the game.

6. Anti-Collusion

Anti-collusion measures play a crucial role in maintaining the integrity and fairness of sports leagues by preventing collusion among teams and individuals. The association between corruption and sport has been well-documented¹⁷⁸, highlighting the need for robust measures to counteract collusive behaviors that aim to gain an unfair advantage or produce predetermined outcomes. Within the context of CBAs, implementing anti-collusion provisions and protocols is essential to address this issue effectively. These measures preserve competitive balance by ensuring that teams compete independently and do not engage in collusive practices that undermine fair competition. By explicitly prohibiting collusion, CBAs dictate that teams focus on their own performance and strategic decision-making, promoting the meaningfulness of legitimate strategies that is diminished if other teams or entities are able to cooperate in an anticompetitive fashion. Moreover, anti-collusion measures contribute to the perceptions of fairness among fans, players, and stakeholders, as outcomes are seen as legitimate and not influenced by hidden agreements.¹⁷⁹

The implementation of anti-collusion measures involves several relevant considerations. Clear prohibitions and penalties outlined in CBAs establish the foundation for deterring collusion. By explicitly stating the consequences of collusion, teams are made aware of the potential sanctions they may face, the first step towards a culture of compliance.¹⁸⁰ Additionally, independent review boards or committees can be established to oversee transactions and assess compliance. These bodies enhance the integrity and impartiality of the anti-collusion measures,

178 Bricknell, Samantha. "Corruption in Australian sport." *Trends and issues in crime and criminal justice* (2015): 1.

179 Maennig, Wolfgang. "Corruption in International Sports and Sport Management: Forms, Tendencies, Extent and Countermeasures." *European Sport Management Quarterly* 5 (2005): 187 - 225.

180 Maennig, Wolfgang. "Corruption in International Sports and Sport Management: Forms, Tendencies, Extent and Countermeasures." *European Sport Management Quarterly* 5 (2005): 187 - 225.

instilling confidence in the fairness of the process.¹⁸¹ Public transparency of these measures further contributes to accountability, ensuring that teams and stakeholders are held responsible for their actions.

While anti-collusion measures predominantly offer advantages, it is still worthwhile to address potential concerns. One concern is the burden these measures may place on teams in terms of additional resources and efforts required to comply with protocols. Sophisticated protocols, governance, or procedural red tape can be unfavorable but are generally necessary to effectively counter the potential complexity of collusion schemes.¹⁸²

Anti-collusion measures within CBAs are of utmost importance to prevent collusion and maintain a fair and competitive environment in sports leagues. These measures, coupled with clear prohibitions, independent review boards, and public transparency, contribute to preserving the integrity of the game. While some concerns exist, the benefits of implementing anti-collusion measures, including competitive balance, fairness, and the protection of the league's integrity, outweigh the potential costs.

7. Revenue Sharing Escrow System

Total player and owner revenue splits will generally be negotiated separately from the direct implementation of salary caps when systems such as escrow are in place. This allows for the league to make decisions of what sort of salary cap to implement, at what level, and when to make adjustments solely in accordance to what is best for long term value creation, independent

181 Bondarenko, O. S. et al. "Combating sports corruption: an analysis of international regulations." *Cuestiones Políticas* (2022): n. Pag.

182 Luna-Pla, I., Nicolás-Carlock, J.R. Corruption and complexity: a scientific framework for the analysis of corruption networks. *Appl Netw Sci* 5, 13 (2020). <https://doi.org/10.1007/s41109-020-00258-2>

of limiting or increasing what proportion of total revenues goes to players. For example, a league might determine that implementing maximum contracts is, on balance, good for the league. This effect, on its own, would imply that total player revenues would decrease. However, an escrow system that corrects for this, ensuring that total player revenues remain constant anyway, creates a different effect. This helps ensure a redistribution of player revenues instead of a decrease in player revenues and make it much more likely that owners and a players association would be able to agree to such a mechanism. Insofar as mechanisms such as this can help a league better direct itself, escrow systems can promote the optionality to fully leverage them without the punishment of owners or players as an unintentional byproduct.

Escrow systems not only allow for the long term implementation of mechanisms to promote strategic equity but also increase short term flexibility. Prominently, the NBA's escrow system played a critical role in allowing the league to create the "Disney Bubble" during the COVID-19 pandemic. The escrow system ensures that the players' share of Basketball Related Income (BRI) remains within the agreed-upon limits negotiated between the league and the players' association. It helps maintain competitive balance and the financial stability of the league when revenues are significantly higher or lower than their projected totals.

Due to the COVID-19 pandemic, the NBA had to suspend its regular season temporarily, which led to a significant loss in revenue. To salvage the season and continue to generate income, the NBA created the Disney Bubble - a controlled environment at Walt Disney World in Orlando, Florida, where games were played safely, adhering to strict health and safety protocols. This ambitious project involved significant financial investment from the league that might not have been feasible if either players or owners were already guaranteed a certain amount of revenue rather than a proportion of league generated revenues.

In the case of the Disney Bubble, the NBA was able to recoup \$1.5 billion in revenue that could have been lost had the season ended prematurely due to the pandemic.¹⁸³ This revenue, part of the BRI, factored into the calculations determining the distribution of the escrow fund for that season. The financial safety net provided by the escrow system helped the league manage the risks associated with setting up and operating the Bubble, ensuring player salaries remained in alignment with the BRI.

Escrow systems, while delaying the distribution of payments between owners and players, ensure more equitable and intentional distribution of revenues even when such revenues significantly depart from what might have been projected. They allow for mechanisms to be implemented that construct mechanisms deemed valuable to the league as a whole, such as those aimed at player retention or roster construction flexibility independent of what their direct effects would otherwise mean for player-owner revenue splits. This, along with the short term flexibility and increased incentive for players and owners to respond cooperatively to unforeseen events such as the COVID-19 pandemic leads to long term value creation for players and owners alike.

Incentives for Competition

8. Playoff Seeding

Playoff seeding plays a significant role in sports leagues as it determines the matchups and positioning of teams in the postseason. It rewards regular season performance, adds meaningfulness to the regular season, and maintains fan engagement throughout the year. One of the key advantages of playoff seeding is that it rewards teams for their regular season performance. Teams that have consistently performed well are given advantageous positions in

¹⁸³ <https://www.nbcsports.com/chicago/bulls/report-nba-revenues-down-10-2019-20-disney-bubble-saved-15-billion>

the playoffs, which acknowledges their efforts and provides them with a competitive advantage. This system promotes fairness and incentivizes teams to strive for success throughout the entire regular season.

Moreover, playoff seeding adds meaningfulness to the regular season by creating a sense of importance attached to each game. As teams compete not only for playoff qualification but also for favorable seeding, every match becomes more significant. This heightens the competitive spirit, engages fans, and generates excitement as teams vie for higher seeds and the associated benefits in the playoffs.

The widespread implementation of playoff seeding in various sports leagues highlights its acceptance and low implementation costs. It is a well-established practice that integrates seamlessly into the existing league structures. This makes it a practical and efficient method for determining playoff matchups and promoting fair competition.

However, there are some concerns associated with playoff seeding. Critics argue that it limits the chances of lesser teams to advance in the playoffs, as higher-seeded teams often possess a significant advantage. This can reduce unpredictability and underdog stories that fans may enjoy. Additionally, factors such as injuries or disparities in division or conference strength can lead to inequitable seeding, resulting in criticisms regarding unfair matchups and the system's accuracy in reflecting true team strength. Some critics have suggested allowing top teams to choose their match up in descending order of seeding.¹⁸⁴ This could theoretically create exciting narratives surrounding opponent selection and more consistently reward teams for regular season performance. This has yet to be implemented in any major sport leagues, though.

184 <https://www.sportskeeda.com/basketball/does-nba-reseed-playoffs-2023>

Realistic variations to playoff seeding exist such as conference and league based seeding, round by round bracket re-seeding, opponent selection, and play in tournaments for portions of the bracket. However, playoff seeding of some sort is widely accepted because it effectively rewards regular season performance, creates meaningful competition, and maintains fan engagement. While there may be minor variations or adjustments to the seeding criteria, no superior alternatives have emerged that can match the low costs and overall benefits provided by playoff seeding. Thus, it remains a widely standardized method for attempting to balance the importance of the regular season and playoffs.^{185 186 187} The generally positive effects on levels of competition, perceptions of fairness, and team effort are a long term value add.

9. Bye Weeks and Appropriate Rest

The importance of player rest and bye weeks cannot be overlooked when considering the well-being of athletes and the overall quality of competition. A delicate balance must be struck between scheduling games to potentially boost revenue, and the long-term implications for player career longevity, mental health, and quality of play.

Extending the careers of players, avoiding serious injuries, and improving short term performance are all key potential benefits of prioritizing rest and recovery. Adequate sleep, rest, and recovery are essential for career longevity, quality, and the general health of athletes. Studies have shown that rugby players who reported higher levels of fatigue and lower levels of sleep

185 <https://ftw.usatoday.com/2019/12/a-quick-guide-to-understanding-the-nba-playoff-seeding-rules>

186 <https://theathletic.com/4078029/2023/01/11/nfl-playoffs-2023-format-teams/>

187 <https://todaypennsylvania.com/mlbs-new-6-team-playoff-format-explained-and-the-benefits-of-the-no-3-seed-reading-eagle/127141/>

quality had a greater risk of injury.¹⁸⁸ Sufficient sleep was also found to positively impact the performance of basketball and football players.¹⁸⁹ This principle applies to athletes across sports and age groups, with sleep deprivation being linked to increased sports injuries in adolescent athletes as well.¹⁹⁰

Furthermore, tight schedule turnovers and frequent games can directly affect player recovery, not only by not allowing enough time between games, but also by affecting the quantity and quality of sleep that players may practically be able to obtain. This is especially relevant when players face a greater proportion of their nights under travel conditions and potential jet lag. Exemplifying this is a study of professional soccer players during international competition, where it was found that sleep/wake behaviors were compromised when players were required to travel and compete in multiple matches within a short period of time.¹⁹¹ Similar patterns have been demonstrated with Rugby and travel.¹⁹² The relationship between sleep and physical injury risk is likely sport transcendent and the implications of these findings underline the importance of considering adequate rest and recovery periods in sports scheduling to maintain player health and extend career longevity.

Beyond physical health, rest and recovery significantly impact the mental well-being of athletes. Mental fatigue can be as crucial as physical fatigue in determining athletic performance.

188 Venter, R. E., Opperman, E. A., Opperman, S., & Bester, C. (2017). The impact of recovery and sleep on performance of professional rugby players. *South African Journal of Sports Medicine*, 29(1), 1-7.

189 Reference: Mah, C. D., Mah, K. E., Kezirian, E. J., & Dement, W. C. (2010). The effects of sleep extension on the athletic performance of collegiate basketball players. *Sleep*, 33(2), 157-166.

190 Milewski, M. D., Skaggs, D. L., Bishop, G. A., Pace, J. L., Ibrahim, D. A., Wren, T. A., & Barzdukas, A. (2014). Chronic lack of sleep is associated with increased sports injuries in adolescent athletes. *Journal of Pediatric Orthopaedics*, 34(2), 129-133.

191 Lastella, Michele et al. "Travel fatigue and sleep/wake behaviors of professional soccer players during international competition." *Sleep Health* 5 (2019): 141-147.

192 Lo, Michele et al. "The impact of matches and travel on rugby players' sleep, wellness and training." *PLoS ONE* 17 (2022): n. Pag.

By taking breaks and ensuring adequate rest, athletes can prevent burnout, stress, and other mental health issues, contributing positively to their overall performance.¹⁹³

Quality of play is another essential factor to consider. Fatigued players can negatively impact quality of play, making games potentially less exciting for fans. By moderating the number of games and ensuring sufficient rest, leagues can maintain high levels of competition, theoretically leading to more engaging games and, controlling for other factors, higher ticket sales and TV ratings in the long run.

Bye weeks are a useful mechanism that can significantly mitigate the accumulation of fatigue. The benefits of intra-season rest can be seen in the form of reduced injury risk and improved performance.¹⁹⁴ Adding bye weeks may be superior to merely reducing the season's duration since fatigue accumulates over time, and rest periods can prevent or slow this accumulation, lowering the average and peak levels of fatigue accumulated throughout a season.

Moreover, bye weeks at the start of the playoffs provide an incentive for late-season competition, increasing the meaningfulness and competitiveness of games. This can be seen in the NFL and MLB, where top teams have increased incentive to compete throughout the end of the regular season as they can be rewarded for regular season placement with both rest and assurance to compete in at least the second round of the playoffs. Leagues such as the WNBA and MLS have had similar rewards historically but have recently introduced new playoff formats.¹⁹⁵ ¹⁹⁶ This late season incentive can prevent teams from resting star players in preparation for the playoffs and increase the value of each game to the league.

193 Buman, M. P., Brewer, B. W., Cornelius, A. E., Van Raalte, J. L., & Petitpas, A. J. (2008). Hitting the wall in sport: Physical activity and mental fatigue. *Journal of Sport and Exercise Psychology*, 30(2), 229-245.

194 Houck, J., McCarthy, J., & Rodriguez, M. (2017). Player Rest and Injury Risk in Major League Baseball: A Probabilistic Analysis. *Journal of Sports Economics*, 18(8), 829–851.

195 <https://www.wnba.com/news/wnba-approves-new-playoff-format/>

196 <https://www.mlssoccer.com/news/mls-announces-new-playoff-format-for-2023-season>

Bye weeks or some form of integrated rest periods are generally needed by all teams. They provide a predictable schedule for player rest, which benefits fans who have purchased tickets and ensures that star players can participate in critical games. Unpredictable player rest may upset fans who have plans to attend or watch a game but are surprised to find out that a star player, who may be much of the reason for their attendance, is not playing. Scheduled rest integrated into the season does not prevent this occurrence, but the more adequate rest players expect to have, the less need they have to rest sporadically throughout the season.

Being seen as player-friendly, proactive, and healthy is important for the league's public perception. Positive public perception can significantly contribute to the long-term success of the league. In an era where player well-being is increasingly prioritized, leagues that show a commitment to their athletes' health may gain public support and loyalty.

While not currently something significantly explored, there may even be substantial benefits to multiple bye weeks. Increased player rest has been shown to reduce the risk of injury in sports like baseball.¹⁹⁷ This principle likely applies to other sports as well, increasing player well-being, and decreasing long-term injuries and health concerns, such as Chronic Traumatic Encephalopathy (CTE) in football. Further research is needed to investigate what extent of rest is optimal, and the long term effects of issues such as CTE are inherently difficult to investigate given their time horizon. However, there is sound reasoning behind proactivity and evidence to suggest that enhancing rest and recovery may be beneficial for many diverse aspects of chronic health impairment.¹⁹⁸

197 Houck, J., McCarthy, J., & Rodriguez, M. (2017). Player Rest and Injury Risk in Major League Baseball: A Probabilistic Analysis. *Journal of Sports Economics*, 18(8), 829–851.

198 Geurts, Sabine A E, and Sabine Sonnentag. "Recovery as an explanatory mechanism in the relation between acute stress reactions and chronic health impairment." *Scandinavian journal of work, environment & health* vol. 32,6 (2006): 482-92. doi:10.5271/sjweh.1053

The optimal number or duration of rest periods is generally unclear and will be sport specific, as various physical activities take various tolls on the body. However, there is no reason to assume that leagues, which have been increasingly integrating rest into their schedules, have hit a point of diminishing returns. More research and experimentation over time will be needed to draw more certain conclusions.

There does exist some research into game periodization. In soccer, studies have indicated that two matches per week are sufficient to maintain physical performance but do increase the injury rate compared to less frequent matches.¹⁹⁹ This may suggest an optimal rest period in soccer would involve less than two matches per week, providing sufficient rest for recovery while maintaining a competitive schedule. However, this does not account for various durations of seasons, levels of competition, or balance financial incentives to host games. Thus, as previously noted, further research is needed to better ascertain optimal scheduling for various sports.

Another relevant consideration when discussing the implementation of additional rest periods or bye weeks is the potential impact on scheduling, broadcasting, and viewership. However, it's important to note that most sports leagues already have a large number of games per week, providing ample content for television broadcasts. There are a finite number of TV slots and, in many cases, more games than can be separately aired, especially considering the simultaneous broadcasting of different sports events or matches within the same league. Introducing more rest or bye weeks would thus not necessarily lead to a reduction in TV air time. By strategically scheduling matches around these rest periods, it could be possible to maintain the same level of visibility and exposure. For instance, on days when some teams are on their

199 Dupont, Gregory et al. (2010). Effect of 2 Soccer Matches in a Week on Physical Performance and Injury Rate. *The American Journal of Sports Medicine* 38, 1752 - 1758.

bye weeks, games involving other teams could be broadcast. In this way, the total number of viewers may not significantly decrease, even in the short term.

Furthermore, the quality of the games might also improve due to better-rested players, potentially attracting more viewers and enhancing viewer engagement. This could potentially offset any short-term revenue losses associated with the introduction of more rest periods. Therefore, while careful planning and coordination would be required, the introduction of more rest periods or bye weeks could be achieved with a potentially minimal impact on TV broadcasting viewership and revenues.

Player rest and, in particular, bye weeks are paramount to the prosperity of players and their league. Rest and recovery directly impact player health, career longevity, mental well-being, and the quality of play. Bye weeks offer a strategic tool for leagues to ensure adequate rest, improve late-season competition, and provide more predictable player availability for fans. While counterbalancing considerations exist, such as the short-term financial incentives of playing more games or a status quo bias toward preexisting schedule formats, it is clear that adequate player rest should be a legitimate consideration for long term value creation. Further research and consideration of these strategies are encouraged for the betterment of professional sports.

Although financial success can be achieved despite player health concerns, this does not invalidate the importance of prioritizing player health. As the science evolves and public opinion increasingly favors player welfare, leagues will need to adapt their strategies to optimize their reputation, talent pool, and profitability in the long term.

10. Success Proportional Revenue Sharing

Success-proportional revenue sharing is a model that partially rewards teams directly based on their level of success and performance. It must be considered in the broader context of revenue sharing, where some revenue is shared evenly among teams, and some is earned individually. Revenue that is to be distributed according to success must necessarily reduce the amount of revenue that is then either split evenly amongst teams or earned entirely individually. This general split is evaluated elsewhere in this paper. The approach of distributing some revenue proportionally to success or achievement, though, offers several advantages and concerns that need to be evaluated.

One of the significant advantages of success-proportional revenue sharing is that it creates a direct financial incentive for teams to optimize their individual performance. By rewarding success, teams are motivated to strive for excellence and continually improve their performance. This can enhance the overall competitiveness of the league as teams are driven to perform their best and achieve sustained success. In leagues like the EPL, where this system is implemented, tanking becomes less of a problem. The financial rewards associated with success discourage teams from intentionally underperforming, thereby maintaining the integrity of the competition.²⁰⁰ However, this may be due to a variety of other factors such as their promotion system.

However, there are concerns associated with success-proportional revenue sharing that need to be taken into account. One concern is the potential accentuation of revenue disparities between top and bottom teams. Successful clubs with greater financial resources may accumulate more revenue, further widening the wealth gap between them and smaller, less successful clubs.

200 <https://www.mirror.co.uk/sport/other-sports/american-sports/nba-relegation-european-football-soccer-28327501>

This can lead to competitive imbalances and hinder the overall competitiveness of the league. Over time, the best teams, who can afford to invest more in talent, may dominate the league, leading to a lack of variety in competition and potentially predictable outcomes. This can diminish excitement and unpredictability. This is more of a concern in leagues in which winning is more significantly driven by financial resources. If the spending of team ownership is not a significant competitive advantage, the financial rewards may motivate ownership decisions but not lead to downstream competitive imbalances. However in leagues where spending is a significant advantage, as is often the case, it is crucial to ensure that the rewards for success are not excessively large. This is to preserve perceptions of fairness, equity, and the emphasis on legitimate competitive strategies.

To effectively reduce tanking, a potential solution within success-proportional revenue sharing is to provide financial rewards for each regular-season win, in a marginally diminishing fashion. This approach can discourage tanking by increasing the marginal cost of finishing at the bottom of the league. Another potential approach is to reward late season wins after teams have already been eliminated from the playoffs. By incentivizing teams to give their full efforts and perform well throughout the whole season, game quality can be enhanced.

Success-proportional revenue sharing offers incentives for teams to optimize their performance and avoid tanking. While it can enhance competitiveness and drive sustained performance, careful considerations must be taken to mitigate concerns such as revenue disparities, competitive imbalances, and short-term focus. Implementing scaled or focused incentives, such as rewards for late-season wins, marginal wins, or playoff births, can encourage teams to give their full efforts while avoiding negative consequences. In the proper league

context, success-proportional revenue sharing can contribute to the long-term value creation and growth of the league by creating incentives for competition and disincentives for tanking.

11. Individual Franchise Earnings

Distribution of revenue streams are a critical aspect of ensuring financial stability and sustainability. Most leagues adopt a combination of revenue-sharing mechanisms, where certain revenue streams are split evenly among all teams, alongside individual franchise earnings. This approach strikes a balance between promoting league-wide parity and incentivizing individual teams to maximize their own revenue. Egalitarianism, the principle of equal distribution of resources, has been a topic of significant study in sports economics. While research has shown positive effects of egalitarian revenue models²⁰¹, this will be addressed more thoroughly in a separate section of this paper. However, even in the case of the NFL, generally regarded as the more egalitarian league, significant individual streams of revenue do exist for teams. This suggests that some level of individual financial incentive is likely necessary to motivate teams not to minimize individual spending and to strive towards increasing revenues as well.

Of primary concern regarding larger individual streams of income for teams is that excessive rewards for winning can lead to reduced parity. Pre-existing hierarchies within the league can be perpetuated as winning teams naturally tend to generate more revenue.²⁰² This can create a feedback loop where the rich get richer, potentially limiting competition and undermining the competitive balance of the league. However, it is important to note that the

201 Vrooman, John. "Revenue Sharing: Quest for Certainty." My.vanderbilt.edu, 11 June 2020, <https://my.vanderbilt.edu/vrooman/2020/06/revenue-sharing-the-perfect-portfolio/>.

202 Szymanski, S. (2016). Revenue Sharing in a Sports League with an Open Market in Playing Talent: A Comment. *Theoretical Economics Letters*, 6, 1337-1340. doi: 10.4236/tel.2016.66123.

extent to which this becomes problematic is context-dependent. If other mechanisms within the league heavily favor financial resources driving winning, the impact of individual franchise earnings on competitive balance may be more significant. The size of the rewards also plays a role in determining their impact on parity.

There are, though, several benefits to the presence of team-specific revenue streams. Individual team revenue streams incentivize teams to create exciting rosters and invest in players who are beloved by fans. This can enhance the overall fan experience and boost the presence and value of players to their respective teams. Similarly, teams are motivated to improve stadium quality, invest in promotions, and build a strong organizational reputation, all of which contribute to fan engagement and revenue generation. The specific model of rewards can also lead to varying roster construction incentives. For example, if teams benefit significantly from individual playoff ticket sales, they may prioritize securing playoff berths. If teams are incentivized by merchandise sales, they may pursue popular players who can enhance their merchandise revenue. Additionally, if teams benefit from home ticket sales, they may be more inclined to invest in their stadium facilities.

When evaluating individual franchise earnings, it is essential to consider the specific revenue streams involved, such as merchandise and home ticket sales, as these are often linked to regional marketing advantages. Incentivizing teams to perform well as independent entities within the league can harness the power of regional-specific marketing while still contributing to the league's overall brand and image. Insofar as the degree of regional marketing advantages are present in a particular league, the extent of the benefits of individualized incentives can increase accordingly.

Individual earnings incentives for teams in sports leagues provide valuable motivations for franchises to optimize their performance and generate revenue. However, it is crucial to strike a balance between individual incentives and the benefits of egalitarianism²⁰³ to optimize long-term value creation. Revenue streams related to merchandise and home ticket sales, which leverage regional marketing advantages, are generally considered to be good practices for sustainable value creation. By considering the pros and cons of individual team revenue streams and relevant contextual factors, leagues can navigate the delicate balance between incentivizing individual performance and preserving competitive balance.

12. Postseason Expansion

The concept of postseason play is a lucrative aspect of professional sports, and in recent years, the expansion of this period has become a popular trend among sports leagues. The impact of such expansions is multifaceted, with implications for competition, revenue, fan engagement, and the overall integrity of the sport.

One major concern raised by critics of postseason expansion is the potential devaluation of the regular season. If more teams are allowed into the postseason, the importance and drama of regular-season games might be undermined. This sentiment is cited by NHL Commissioner Gary Bettman, who has voiced concerns about postseason expansion, as a reason why the NHL won't look to expand its playoff.²⁰⁴ Another criticism revolves around the potential dilution of playoff berths' value and the possibility of admitting mediocre teams into the postseason, which

203 Vrooman, John. "Revenue Sharing: Quest for Certainty." My.vanderbilt.edu, 11 June 2020, <https://my.vanderbilt.edu/vrooman/2020/06/revenue-sharing-the-perfect-portfolio/>.

204 <https://www.forbes.com/sites/bradadgate/2022/12/15/to-grow-revenue-sports-leagues-are-expanding-the-postseason/?sh=2ddff1e47174>

could affect the quality of games.²⁰⁵ Additionally, the idea of tradition and the potential resistance of fans to change is a relevant consideration. The rituals associated with game-day attendance and fan behavior play a significant role in shaping loyalty and commitment.²⁰⁶ Altering the postseason structure could disrupt these traditions, potentially leading to resistance from fans. However, it's also important to note that traditions evolve over time, and new traditions can be established as fan demographics change.

On the other hand, there are strong arguments in favor of expanding postseasons. It could incentivize late-season competition and mitigate the practice of 'tanking,' as teams who are still eligible for the postseason are less likely to rest their healthy players.²⁰⁷ Low to mid tier teams would also have more of an incentive to construct competitive rosters that might be able to make the playoffs as opposed to strategically defaulting to allocating resources for the future or intentionally losing to get a higher draft pick. Additionally, expanded postseasons could lead to greater parity across the league, as teams would be more motivated to invest in talent and resources if they have a reasonable chance of making the playoffs. Lastly, and most intuitively, expanded postseasons provide more opportunities for revenue and viewer engagement.²⁰⁸

It's crucial, however, to balance postseason expansion with mechanisms that retain the meaningfulness of the regular season and reward superior regular-season performance. For instance, the interplay between multiple competition incentives is essential for optimizing competition level, team effort, and fan engagement. Mechanisms such as the first-round byes provided by the NFL and MLB, home field advantages, and playing weaker seeded opponents

205 <https://www.overtimeheroics.net/2022/02/01/pros-and-cons-to-mlb-expanding-the-playoffs/>

206 Fazal-e-Hasan, Syed Muhammad et al. "The path to game-day attendance runs through sports fan rituals." *Journal of Business Research* 137 (2021): 308-318.

207 Gong, Hua et al. "Exploring tanking strategies in the NBA: an empirical analysis of resting healthy players." *Sport Management Review* 25 (2021): 546 - 566.

208 <https://www.forbes.com/sites/bradadgate/2022/12/15/to-grow-revenue-sports-leagues-are-expanding-the-postseason/?sh=2ddff1e47174>

can serve this purpose by rewarding top performers and ensuring they still have an advantage in the postseason. Moreover, play-in tournaments could offer low to mid-tier teams a chance at the playoffs without increasing the number of competition rounds that top-seeded teams must face.

While the exact optimal number of teams to be included in a playoff is uncertain, the available trends and relevant arguments suggest that a number around 50% of the teams in the league may be a reasonable, evidence-based starting point. The current proportion of teams that make the playoffs in each of the leagues with playoffs routinely referenced are listed below:

NFL: 43.75% (14 of 32 teams)

NBA: 53.33% (16 of 30 teams)

MLB: 38.5% (12 of 30 teams)

WNBA: 50% (8 of 16 teams)

MLS: 62.07% (18 of 29 teams)

NHL: 46.67% (16 of 31 teams)

Slightly larger playoff tournaments, paired with other counterbalancing mechanisms to reward regular season performance, seems to promote sustained competition, fan engagement, and revenue generation while maintaining the meaningfulness of the regular season.

13. In Season Tourneys

North American sports leagues like the NFL, NBA, NHL, and MLB typically maintain a significant monopoly over their respective sports within their regions. However, leagues outside this North American context, particularly prominent soccer leagues such as the English Premier League, Spain's La Liga, Italy's Serie A, and Germany's Bundesliga, operate differently. While

these leagues represent the top-tier competitions in their respective countries, they also exist within an interconnected global network of soccer leagues and organizations. This network includes overarching organizations such as UEFA in Europe and FIFA at the international level.

Inter-league and inter-continental competitions are integral to this system. Tournaments like the UEFA Champions League and Europa League, the Copa Libertadores, and the CONCACAF Champions League bring together high-performing teams from various leagues within their respective regions.

Although the leagues themselves do not directly profit from the revenues of these inter-league tournaments, the advantages for the participating clubs are considerable. For instance, the prize money can be significant: FIFA allocated \$440 million for the 2022 World Cup, and teams in the UEFA Champions League can earn millions of Euros based on their performance.²⁰⁹

Moreover, these competitions provide a valuable opportunity for clubs to test their abilities against a variety of playing styles and tactics, which can lead to improvements in quality of play. Further beyond clubs' individual financial rewards, participation in these tournaments can also significantly benefit a team and its respective league. A valuable opportunity is provided for clubs to test their abilities against a variety of playing styles and tactics, which can lead to improvements in quality of play. Competing on an international stage provides clubs with a platform to demonstrate their talent, potentially attracting a wider fan base and increased visibility. This can lead to a range of related benefits such as internationally increased sponsorship appeal, generally improved reputation, and the value of players can increase, paving the way for profitable transfers. These competitions can also enrich the sport as a whole, potentially leading a broader audience base for each individual league.

209 <https://www.sportingnews.com/sg/soccer/news/world-cup-winners-prize-money-purse-teams-players-qatar-2022/uw8fhhfqzenlnxsuicczreu>

For these reasons, it makes sense that many leagues without a preexisting dominance over a sport and region leverage the opportunities provided by inter-league competitions. Inter-league mid-season competitions have long been a staple of international sports, such as soccer. In recent years, in-season tournaments have gained traction in major North American sports leagues. This potential shift in competition structure presents an enticing opportunity for substantial revenue generation, although it also introduces challenges tied to tradition, fan interest, and the potential dilution of existing competitions.

The potential for revenue generation offered by in-season tournaments is significant. Additional broadcasting opportunities, increased sponsorship deals, and greater ticket sales all contribute to higher overall revenue for the leagues. For instance, the Inaugural Leagues Cup, with teams competing from MLS and Liga MX, generated \$10 million in revenue during its first year.²¹⁰ The UEFA Women's Champions League also generated €15.2 million in revenue for their 2021/22 season. However, the UEFA Champions League, one of the most prestigious football tournaments, generated profits estimated to be 2.04 billion euro in the 2019/2020 season.²¹¹ The financial potential of these tournaments can be considerable as they rise in popularity.

However, introducing in-season tournaments can disrupt the traditional sports calendar, potentially leading to player fatigue or injuries due to increased matches. This, in turn, could affect the quality of play in all competitions. Players have a limited amount of energy and ability to recover from their highest levels of exertion. It is a potential concern that teams would

210 <https://www.espn.com/soccer/major-league-soccer/story/4480295/mlsliga-mx-plan-revamped-leagues-cup-in-2023-with-all-47-teams>

211 https://www.sportspromedia.com/news/uefa-womens-champions-league-europa-conference-revenue-earnings-losses/?zephyr_sso_ott=gsG76l#:~:text=Total%20revenue%20for%202021%2F22,club%20competitions%20in%202021%2F22.

prioritize one competition over another and give suboptimal effort in an attempt to save themselves for whatever form of the season they find most meaningful. For this reason, implementing tournaments along with sufficient opportunities in teams' schedules to rest may be important to ensure that teams are not disadvantaged by exerting themselves in potential mid-season tournaments.

Fan rituals and traditions significantly impact sports revenues.²¹² Thus, changes to the sports calendar, such as the introduction of new competitions, may initially face resistance from fans. Over time, however, as fan demographics shift, new traditions can be established, and in-season tournaments could become part of the sports tradition.

Successful implementation of in-season tournaments involves careful planning and execution. The tournament must be competitive, offering meaningful rewards to players, teams, and fans. Relatedly then, leagues must find a way to incentivize players to care, such as cash prizes, that are simultaneously sufficient to motivate players and teams while still keeping costs associated with the tournament to be less than the revenue it generates. Failure to achieve these conditions could then result in tournaments that are either unprofitable, noncompetitive, or lacking meaningfulness to players and fans alike.

While there are important concerns surrounding the implementation of in-season tournaments, the potential for significant revenue generation, and the creation of new fan traditions make a compelling case for their consideration. When implemented effectively, in-season tournaments could provide significant long-term value creation in sports leagues that both owners and players would stand to benefit from.

212 Fazal-e-Hasan, Syed Muhammad et al. "The path to game-day attendance runs through sports fan rituals." *Journal of Business Research* 137 (2021): 308-318.

Increasing Fan Engagement

14. Player Retention Mechanisms

On one end, player movement can inject excitement and novelty into the league, providing fans with a dynamic roster construction narrative and content for media outlets. Conversely, too much volatility can diminish the significance of team affiliations and dilute the narrative of trades. In an industry where fandom is often team-based, a certain level of continuity is crucial. Both trust in the team and individual player identification have been shown to independently contribute to fan loyalty.²¹³ This highlights the importance of maintaining some degree of roster stability.

Similarly, local players often assume iconic roles within their regions, contributing significantly to the team's identity and fan affinity. Mechanisms that enable such players to stay with their teams when it makes sense for them to do so can foster a win-win scenario for multiple stakeholders. In proper context, this can benefit the overall value proposition of the presence of the league for hosting cities, players being offered higher value contracts, and teams retaining talented athletes.

Moreover, player retention mechanisms support meritocracy by rewarding superior coaching, player development, and scouting, rather than financial prowess or randomness. This in turn, contributes to the creation of winning teams and dynasties through strategies that promote a sense of fairness. As discussed previously, occasional disparities and not absolute parody, when seen as fair outcomes of superior management and strategy, is beneficial for the competitive landscape of the league.

213 Wu, Shih-Hao et al. "Toward Team or Player? How Trust, Vicarious Achievement Motive, and Identification Affect Fan Loyalty." *Journal of Sport Management* 26 (2012): 177-191.

However, the effectiveness of player retention mechanisms is contingent upon thoughtful design and implementation. Improper application can lead to unintended consequences, as exemplified by the NBA's supermax contracts. This system, while intended to provide teams with a tool to retain their star players, has sometimes resulted in teams facing financial constraints and roster inflexibility.²¹⁴ One potential remedy could involve offering some salary-cap savings while boosting the raw dollar amount available to these players, avoiding unintended losses in roster flexibility. Another potential downside is that with larger numbers of players qualifying for lucrative contracts, teams may face immediate pressure to retain players at high costs, potentially straining their resources. Consequently, these mechanisms should be carefully calibrated to avoid such pitfalls.

The intricate dynamics of professional sports leagues necessitate adaptive and responsive measures to maintain competitive balance and fairness. Being prepared to implement player retention mechanisms, observe their effects, and adjust accordingly is necessary in the process of seeking optimal results. The NBA, for instance, is proving to be a model of this adaptability in their 2023 CBA. They are attempting to institute changes that allow for homegrown talent retention while simultaneously lessening team wealth as a driving factor of teams' ability to do so. Rather than enforcing purely financial penalties for teams exceeding the highest payroll thresholds, the NBA is exploring ways to restrict roster construction for such teams as an additional form of deterrence.²¹⁵ This approach aims to bridge the gap between the most lucrative teams and those with lesser financial resources, thereby promoting the sense of fairness and equity that player retention mechanisms are designed to further. Irrespective of the efficacy of the specific mechanisms implemented in

214 <https://www.sbnation.com/2019/1/30/18203464/nba-supermax-anthony-davis-rumors-failed>

215 <https://nateduncannba.com/podcast-episodes/the-new-cba-is-here/>

their 2023 CBA, the NBA's approach underscores the league's proactive stance in monitoring and adjusting provisions that modulate their competitive landscape to ensure they serve their intended purpose. Leagues being willing to adapt and respond to the possible unintended effects of new measures allows leagues to benefit from the upsides of experimenting with new rules and mechanisms while simultaneously limiting the downsides.

Player retention mechanisms are more likely to be approved of by both team and player when they are mutually agreed upon. Mechanisms such as the WNBA's core player designation or NFL's franchise tag, which limit players' ability to negotiate with other teams, come with corresponding financial compensation aimed at making such restrictions fair. Perhaps though, arrangements that require agreement from both parties in each individual instance of negotiation would be an easier pathway to player retention mechanisms during collective bargaining. This can be seen in the NFLPA's continued battle against the Franchise Tag.²¹⁶ There isn't evidence to suggest that mechanisms requiring mutual agreement are inherently better for competitive balance or the fairness of the league as a whole. Nonetheless, player associations, which represent the interests of the players, would likely find such terms more acceptable, while still providing teams similar benefits of teams being able to retain their talent. To accomplish this, leagues should aim at rules and exceptions that allow players and teams to negotiate win-win contracts that balance player compensation and team competitiveness.

While there likely exists significant flexibility in the optimal degree and forms of player retention mechanisms. Their presence, to some degree, is likely beneficial. By promoting a sense of fairness and meaningfulness to fans, enhancing long-term competition,

²¹⁶ <https://profootballtalk.nbcsports.com/2019/03/19/nflpa-wants-to-shed-franchise-tag-but-what-will-it-cost/>

and adding depth to roster construction strategies, these mechanisms can positively contribute to the competitive ecosystem of sports leagues. Nevertheless, their design and implementation need to be meticulously thought out, with a keen eye on potential pitfalls and a readiness to adapt and refine based on evolving circumstances.

15. League vs Localized Revenue Sharing

Negotiating a balance between local and nationally distributed revenues is a critical aspect of collective bargaining agreements. Teams in larger markets or with greater success tend to generate more revenue from local sources, incentivizing them to maximize the value of their individual product. In contrast, smaller or less successful teams may advocate for increased revenue sharing to maintain competitive balance. This dynamic creates a sticking point during negotiations, as higher-earning teams often seek to retain a larger share of their revenue, while smaller-market teams push for greater revenue sharing. Striking the right balance between these interests is crucial for maximizing long term value and ensuring stability of the league.

Many, including John Vrooman, a renowned sports economist, have extensively discussed the concept of egalitarianism in sports leagues, particularly emphasizing the NFL as a prime example. Vrooman points to the NFL's successful model that has, over the past half-century, transformed it into the most economically potent sports league globally. A critical aspect of this success, according to Vrooman, is the league's egalitarian approach to revenue distribution. In the NFL, as with most leagues, the majority of the league's revenue is derived from its television broadcasting rights. This revenue, in addition to other streams, is split evenly amongst all teams.²¹⁷ In 2019, NFL clubs pool-shared an impressive \$8.8 billion, accounting for

²¹⁷ <https://lwosports.com/2020/06/26/nfl-makes-billion-from-six-sources/>.

60% of the league's total revenue of \$14.5 billion, among its 32 franchises. This model has fostered a level of economic parity that Vrooman suggests is key to the league's prosperity.²¹⁸

One major explanation offered is a "perfect portfolio" analogy to describe the NFL's revenue sharing model. This concept is borrowed from financial portfolio theory, where diversification of investments is used to increase expected returns while minimizing risk. In the NFL's case, the diversification comes from pooling resources and sharing revenues, which spreads the financial risk among all teams. This minimizes the potential for any single team to suffer catastrophic financial losses, while also ensuring a level of profitability for all teams.²¹⁹ Therefore, each team can be seen as an investment in the league's portfolio. By sharing revenues, the league collectively improves its risk-return tradeoff, achieving greater expected returns at lower risk. This is supported both by the comparatively superior equity value growth of NFL franchises against the S&P 500 as well as a less varied distribution of franchise values compared to the other major North American sport leagues.²²⁰

An idea further supporting this line of thought is the "league think" mindset, one characterized by considering each team only as good as its weakest opponent. While this might not literally be the case, it is certainly true that quality of overall play will affect the league as a whole and each team's bottom line individually. It is also certainly the case that both teams facing off against one another contribute to the quality of a game, or lack thereof. It may be a wise long term investment from the perspectives of all parties involved to contribute resources towards ensuring the overall quality of play and competitiveness.

218 Vrooman, John. "The Economic Structure of the NFL." Vanderbilt, 2009, <https://doi.org/https://vanderbilt.app.box.com/s/4fow065uta9azi71u7dskztieo962e1z>.

219 Vrooman, John. "Revenue Sharing: Quest for Certainty." My.vanderbilt.edu, 11 June 2020, <https://my.vanderbilt.edu/vrooman/2020/06/revenue-sharing-the-perfect-portfolio/>.

220 Vrooman, John. "Revenue Sharing: Quest for Certainty." My.vanderbilt.edu, 11 June 2020, <https://my.vanderbilt.edu/vrooman/2020/06/revenue-sharing-the-perfect-portfolio/>.

In terms of league governance, egalitarian revenue sharing can influence owners to vote for policies that benefit the overall revenue of the league, rather than being solely tied to what directly benefits their individual teams. This can lead to the implementation of mechanisms and structures that are more beneficial for the league as a whole.

It is for many of these reasons that the NFL has been praised for its egalitarian revenue sharing model, however the MLB has garnered many critics who argue that their revenue sharing has disincentivized competition. Similarly, a portion of a team's local revenue is shared among all teams, so a team could theoretically receive revenue sharing funds without investing much into player salaries or team improvements. Some critics suggest that the extent of this leads to a lack of competitive balance, as teams with lower payrolls might not have the incentive to compete aggressively, knowing they will receive revenue sharing funds regardless.

An important piece of context in regards to MLB's revenue sharing is the lack of a salary cap in MLB. In contrast to the NFL, which has a hard salary cap, the MLB only has a luxury tax threshold. Wealthier teams can afford to pay this tax, allowing them to acquire top talent and potentially dominate the league. This can create disparities in the competitive balance of the league when teams are not otherwise restricted by mechanisms to promote competitive balance.

In contrast, the NFL's revenue sharing model is often praised for promoting parity and competitive balance. The NFL has a hard salary cap, which limits how much each team can spend on player salaries, as well as a salary floor, which ensures each team is investing a minimum amount into their roster. Systems such as these help ensure a more equitable distribution of talent across the league when revenue sharing infrastructure might be conducive to otherwise.

Furthermore, the nature of the sport of football itself contributes to the NFL's parity. The popular "any given Sunday" adage reflects the high level of variance in football games: because there are fewer games in a season compared to baseball, each one carries more weight, and the physical nature of the sport can lead to unexpected outcomes due to injuries or weather conditions. This inherent unpredictability complements the NFL's revenue sharing and salary cap policies, making it more likely for different teams to succeed from year to year. The naturally occurring level of parity in the NFL and football generally is something that makes revenue sharing more likely to be perceived as equitable. In the NFL, if teams follow and implement good process based practices in terms of roster construction, player development, coaching, and general organizational competency, there is still a significant chance that their team won't necessarily be rewarded with results in terms of playoff success. There is simply too much random variance that occurs in a single elimination playoff and 17 game regular season. In comparison with other lower variance sports, a more egalitarian based model makes more theoretical sense on the level of fairness.

A balanced revenue sharing model that promotes feelings of opportunity and equity significantly contributes to long-term value creation for sports leagues. Central to this is the enhancement of brand equity, which is fortified by the perception of fairness and competitive balance. This makes the league more attractive to sponsors, broadcasters, and corporate partners, generating increased revenues. Moreover, an equitable revenue distribution model fosters better labor relations. When a governing system is deemed equitable, all parties involved are generally more likely to cooperate more effectively, reducing the risk of labor disputes or strikes that could disrupt the league's operations and revenue flow.²²¹

221 Hegtvedt, Karen A. and Caitlin Killian. "Fairness and Emotions: Reactions to the Process and Outcomes of Negotiations." *Social Forces* 78 (1999): 269-302.

Finally, by providing teams with sufficient resources to invest in scouting, player development, and coaching, the quality of the on-field product improves. This bolsters the league's reputation and enhances fan engagement, driving further revenue growth. A revenue sharing model, complemented by strategic policies like salary caps and floors, forms a holistic approach to sustaining a profitable and competitive league. The mechanisms needed can vary based upon the context of the league, but intentionally avoiding competition while riding the curtails of the league must be strongly disincentivized. Without a league economic context that compliments it, egalitarianism can perversely lead to reductions in league wide revenues.²²²

Another crucial facet of creating an effective and equitable revenue-sharing system is a precise definition of "local revenues". Traditionally, this term encompasses income generated within a team's home market, including ticket sales, local broadcast deals, and stadium-related revenues. However, without comprehensive and clear definitions, there exists a potential for teams to take advantage of ambiguities and manipulate their revenue-sharing contributions.

In some instances, team owners might exploit these loopholes by investing in outside entities, such as regional sports networks (RSNs). The owners can then write payments to these networks off as losses to the league. While this reduces their revenue-sharing obligations, they still recuperate their money through profits from the RSNs. This has been seen in the MLB, particularly, where over half of the league's owners have invested in their local RSN's (Bless You Boys).

To counter such manipulations, leagues should rigorously define what constitutes local revenues. They must ensure that all pertinent sources of income, including profits from

222 Szymanski, Stefan, and Stefan Késenne. "Competitive Balance and Gate Revenue Sharing in Team Sports." *The Journal of Industrial Economics*, vol. 52, no. 1, 2004, pp. 165–77, <http://www.jstor.org/stable/3569766>. Accessed 12 May 2022.

associated businesses like RSNs, are considered in the revenue-sharing calculations. This may necessitate reevaluating and broadening the definition of "local revenues" or "defined net local revenues", as well as implementing stringent auditing and appraisal practices. By closing these loopholes and promoting transparency and consistency in revenue classification, leagues can foster a more equitable revenue-sharing system. This, in turn, can motivate teams to invest more in their on-field performance rather than seeking ways to exploit financial intricacies.

Overall, evidence and reasoning suggests that egalitarianism is likely a driver of long term value creation in sport leagues. Implementation of revenue sharing has been used to promote financial stability and minimize the credible threats of rival leagues.²²³ However, the model ought to be accompanied by complementary mechanisms to promote competitive balance and the extent to which it should be implemented is context dependent. Leagues must provide all of their teams with the necessary resources to improve the overall product and fan experience but must simultaneously incentivize, or require when possible, teams to engage in fully leveraging those resources to out-compete one another. The degree of random variation involved in competition and its effects on perceptions of fairness should also be considered in the determination of the extent to which egalitarianism should be implemented into a league's revenue sharing model.

16. All Star Games

All-Star Games play a significant role in creating additional opportunities for revenue growth. These events generate revenue through various means such as television rights, city bids to host the games, ticket sales, and merchandise. While specific figures are hard to discern and

223 Rockerbie, D.; Easton, S. Revenue Sharing in Major League Baseball: The Moments That Meant so Much. *Int. J. Financial Stud.* 2018, 6, 71. <https://doi.org/10.3390/ijfs6030071>

vary depending on the league and event, the financial impact can be substantial. For example, the NBA's All-Star Game has been reported to generate significant ad revenue, with TNT making \$30 million in ad revenue during the All-Star Weekend.²²⁴ The NFL Pro Bowl has historically been a lucrative event as well, with the winner's share recently reaching a record high of \$100,000.²²⁵ It was suggested by the Los Angeles Dodgers Owner that the MLB's 2022 All Star events generated roughly \$200 million in revenue.²²⁶

In addition to revenue generation, All-Star Games provide variety in the season, breaking the monotony of regular season play, particularly in longer seasons. They offer fans a chance to witness the gathering of top players from different teams, showcasing their skills in a single exhibition event. This can enhance fan engagement and excitement, boosting the overall prominence of the league and its star players.

However, it is important to acknowledge certain challenges associated with All-Star Games. Maintaining high levels of player effort and competitiveness can be difficult, as some players may perceive the game as a relatively meaningless exhibition. This may impact the quality of the competition. To address this, some leagues have introduced modifications to increase player engagement, such as the NFL switching to a flag football-based Pro Bowl event.²²⁷

Another consideration is the risk of injury to participating players. All-Star Games involve additional physical exertion, potentially increasing the chances of players getting injured.

224 <https://nba.nbcsports.com/2021/02/09/report-tnt-makes-30m-in-ad-revenue-during-all-star-weekend/>

225 <https://www.sportingnews.com/us/nfl/news/nfl-pro-bowl-prize-money-breakdown-2023/hx93q8ativkk5gg2inxqddau>

226 <https://www.sportscasting.com/premier-league-all-star-game-setting-starting-11-2022-north-vs-south-showdown-after-new-chelsea-owner-todd-boehly-revolutionary-idea/>

227 <https://www.sportsbusinessjournal.com/Daily/Morning-Buzz/2022/09/26/NFL-to-end-tackle-Pro-Bowl-game.aspx>

This concern is shared by both the players and their respective teams, who prioritize player health and availability for regular season games.

Timing is a crucial factor in All-Star Games. Finding the right placement in the season is a balance between accurately representing the best performers and considering player rest and recovery. The timing should optimize revenue and fan engagement while ensuring that players have sufficient rest and are in peak condition to participate.

It's worth noting that All-Star Games may be more prevalent in leagues that dominate their respective sport or region. In leagues where stars exist across multiple leagues or regions, the appeal of hosting an All-Star Game may be diminished. This is evident in international soccer leagues like the EPL, which does not have an All-Star Game. While speculation about exhibition matches does exist, focus in such leagues is primarily on domestic league competitions, international tournaments, and continental club competitions.²²⁸

Many variations exist regarding how players are selected, the competitive structure of the game itself, and event planning for All-Star Games. Leagues may employ different methods, such as fan voting, player/coach selection, or a combination of both, to determine the participants. The competitive format can also differ, ranging from traditional games to skills competitions or modified rule sets. Regardless of these variations, the primary value add of All-Star Games remains the additional direct opportunity for revenue generation. Television rights deals, corporate sponsorships, and increased fan attendance contribute to the financial success of these events.

Overall, All-Star Games provide a net positive for long-term value creation in sport leagues. While there are challenges in maintaining player effort and managing injury risks, the

²²⁸ <https://www.sportscasting.com/premier-league-all-star-game-setting-starting-11-2022-north-vs-south-showdown-after-new-chelsea-owner-todd-boehly-revolutionary-idea/>

revenue generation, fan engagement, and promotion of star players contribute to the overall growth and success of the league.

17. Maximum Contracts

Imposition of the NBA's maximum contract in its 1999 CBA led to an increase in complementary player salaries such as the 2nd and 3rd highest paid players on the team. ²²⁹This is also an intuitive reality: if all players split the same amount of total salaries and some players' salary is limited, then top players' additional laissez faire market value above maximum allowable salaries will then be reflected in other players' contracts. Importantly here, if players are assumed to have a diminishing marginal utility of salary, then maximum salary caps' effects on redistribution of player rents would then increase total player utility at a constant level of league wide player revenue.

This may be beneficial for player associations and ownership alike to be aware of in collective bargaining as it can further increase average satisfaction of parties involved with negotiation on the player side. However, this effect doesn't directly lead to long term value creation, as in revenues or profits, so much as just redistributing who receives them.

Maximum contracts do, though, produce a separate effect, which does create long term value. Their presence leads to a disproportionate value of top-tier players. By setting a maximum contract limit, some top players will likely contribute so greatly to winning that they are more valuable than the maximum contract amount. If players below the maximum contract amount are generally paid near market value, then these star players will become disproportionately valuable

²²⁹ Hastings, Kelly & Stephenson, Frank. (2015). The NBA's Maximum Player Salary and the Distribution of Player Rents. *International Journal of Financial Studies*. 3. 75-83. 10.3390/ijfs3020075.

even beyond what their elite abilities would already indicate. This is because, in the context of a salary cap, teams must make decisions between contracts all the time. When resources are limited, paying \$30 million for \$30 million of value towards winning is not necessarily an advantage. However, paying a player \$30 million who really contributes \$50 million towards winning is a massive advantage.

Leagues can increase the perceived value of star players through the implementation of max contracts, as teams will fiercely compete to sign or trade for these exceptional athletes. This heightened perception of value can be leveraged to create star-driven marketing strategies that resonate with modern audiences and align with the contemporary media landscape.²³⁰

Maximum contracts could be an underappreciated mechanism to fuel significant growth for sports leagues, perhaps evidenced by recent years with the NBA. The league's 1999 CBA, which capped individual player pay, has contributed to the increasing prominence of star athletes and the subsequent growth of the NBA as a whole.²³¹ The perception of star players as immensely valuable assets can drive fan engagement, boosting revenue through ticket sales, merchandise, and broadcasting rights.²³²

The NBA and NFL both have salary cap systems, but the impact of star players on team performance and trade value is different in each league. This is largely a result of the presence of maximum contracts, or lack thereof. In the NFL, the value of top-paid players can be diminished when considering their impact on the team's salary cap. Trading significant draft capital for these

230 Wong, Amy and Yu Chen Hung. "Love the star, love the team? The spillover effect of athlete sub brand to team brand advocacy in online brand communities." *Journal of Product & Brand Management* (2022): n. Pag. <https://www.cnbc.com/2021/06/29/nba-set-record-1point46-billion-in-sponsorship-revenue-this-season.html>

231 Hastings, Kelly, and Frank Stephenson. "The NBA's Maximum Player Salary and the Distribution of Player Rents." *International Journal of Financial Studies*, vol. 3, no. 2, Mar. 2015, pp. 75–83. Crossref, <https://doi.org/10.3390/ijfs3020075>.

232 Wong, Amy and Yu Chen Hung. "Love the star, love the team? The spillover effect of athlete sub brand to team brand advocacy in online brand communities." *Journal of Product & Brand Management* (2022): n. pag.

high-salary players can limit a team's ability to allocate resources elsewhere, making it challenging to build a competitive roster. This, in turn, can render the contributions of these star players as zero-sum, as their high salaries negate their potential to drive winning.

On the other hand, players such as Steph Curry and LeBron James have demonstrated NBA stars' ability to substantially influence their teams' success without creating an insurmountable financial burden. The NBA's maximum player salary cap system allows teams to acquire star players without sacrificing their roster's overall competitiveness. By not having their salaries count against the cap as heavily as they would in a league without maximum contracts, these stars can drive winning without negatively impacting the team's financial flexibility. Some degree of this may also be attributed to the NBA's softer cap than that of the NFL's hard cap, which allows for less variation in year to year team spending. However, total payrolls are still limited and to a significant degree and paying a star player their worth in excess of the maximum salary would still be a competitive hindrance in roster construction, if allowed.

As a result of the NBA's maximum salary, NBA players like Curry and James have been able to achieve consistent success on the court, which has translated into immense popularity and lucrative endorsement deals. Their winning records and immense value have contributed to their marketability. This is a stark contrast to the NFL, where acquiring a high-salary player often requires sacrificing other aspects of roster construction, limiting the overall impact these players can have on a team's success.

NBA players typically receive more valuable endorsement deals compared to NFL players, which can be attributed to several factors. The NBA set a record of \$1.46 billion in sponsorship revenue during the 2020-21 regular season.²³³ In comparison, the combined total

233 <https://www.cnn.com/2021/06/29/nba-set-record-1point46-billion-in-sponsorship-revenue-this-season.html>

value of NFL endorsements reached \$118.5 million. This is in spite of the fact that the NFL has consistently generated higher revenues over time. In 2020, the NFL generated approximately \$14 billion in revenue, while the NBA generated around \$7.4 billion, with the NFL being recognized as the most lucrative league globally.²³⁴

While the NBA and MLB have both experienced significant growth in revenue over the years, The NBA also outpaces the MLB in relative value of their endorsement deals to total revenue as well as growth in both areas. In the 2021/22 season, the NBA generated a total revenue of around \$10 billion.²³⁵ On the other hand, MLB's overall revenue in 2021 was \$9.56 billion.²³⁶ Both leagues have seen a steady increase in revenue over the past few years, but the NBA has been growing at a faster rate. Over the last 11 years, the NBA's annual sponsorship revenue grew by an average of 9.7% per year.²³⁷ Total MLB player endorsement values could not be found, but by comparing top players' endorsement deals it is clear the NBA dominates in this regard. For instance as of 2021, Shohei Ohtani was estimated to lead all baseball players with an endorsement portfolio worth just over \$6 million annually.²³⁸ Other MLB stars, such as Bryce Harper (\$5M), Kris Bryant (\$3.5M), and Mike Trout (\$3M) also have significant endorsement deals, but are much less than that of top NBA stars.²³⁹ For comparison, in the NBA LeBron James earns \$70 million in endorsement money annually, which accounts for 64% of his

234 <https://nflwiki.com/blog/nfl-vs-nba/>

235 <https://www.statista.com/statistics/193467/total-league-revenue-of-the-nba-since-2005/>

236 <https://www.statista.com/statistics/193466/total-league-revenue-of-the-mlb-since-2005/>

237 <https://runrepeat.com/nba-revenue-statistics>

238 <https://www.forbes.com/sites/justinbirnbaum/2021/07/08/how-mlb-superstar-shohei-ohtani-made-6-million-in-endorsements-without-even-trying/>

239 <https://www.sportskeeda.com/baseball/5-popular-mlb-players-massive-endorsement-deals>

yearly income.²⁴⁰ Similarly, Steph Curry earns \$42 million in endorsements, contributing to a total annual income of \$76.9 million.²⁴¹

Perhaps the NBA's implementation of maximum contracts has been a part of the reason that their endorsement deals have been much more valuable relative to the size of their league than the NFL and MLB, the most comparable leagues financially. It may be argued that differences in endorsement dollars in the NBA are due to inherent differences in sport from the NFL such as greater impact of individual players on the game, and more visible branding opportunities during games, as their faces and bodies are more exposed compared to NFL players, who wear helmets and extensive protective gear.

However, this argument applies significantly less so to baseball, a sport in which NBA players are also dominating in terms of sponsorship money. Furthermore, the amount of sponsorship money received by the NBA has increased dramatically in recent years since the implementation of the maximum contract in 1999.²⁴² In the NBA's case, max contracts are not the sole contributing factor to the growing popularity of the sport of basketball, nor the disproportionate endorsement contracts relative to the size of their league. However, maximum contracts have made stars more valuable commodities in their league and there is logical reason to believe that this has had an effect on fan and media perceptions of stars which may have contributed to their disproportionate popularity and influence.

The NBA's maximum contract system has allowed stars to become more valuable both on and off the court, fueling fan engagement, and driving league growth. By contrast, traditional salary cap systems without legislating maximum contracts may limit the potential of top-paid

240 <https://smallwunders.com/article/nfl-vs-nba-revenue-salaries-viewership-ratings>

241 <https://www.sportskeeda.com/nfl/which-nfl-player-biggest-nike-contract-pro-football-athletes-endorsement-deals-explored>

242 <https://runrepeat.com/nba-revenue-statistics>

players to significantly impact their teams' success, as their high salaries can make their contributions seem zero-sum when considering the broader context of roster construction. In this way, the NBA has created a favorable environment for its star players to excel, while also promoting excitement and long-term growth for the league.

One reason why the implementation of maximum contracts may be uncommon is the disproportionate influence star players hold in player associations. These athletes often play a significant role in shaping labor negotiations, and they may prioritize their immediate financial interests over the long-term growth and success of the league. It is important to acknowledge that this practice may not be immediately beneficial to superstar players themselves, as their earnings could be limited by the maximum contract cap. However, by considering the broader implications of maximum contracts and their potential to drive fan engagement and league-wide revenue, player associations and sports leagues alike can work together to create a more and profitable future for all stakeholders. The increased marketing and promotional opportunities afforded by the heightened perception of value can ultimately result in lucrative endorsement deals and additional revenue streams for these athletes.

There is evidence and reason to believe that implementing maximum contracts in sports leagues may lead to increased fan engagement, more effective star-driven marketing strategies, and overall growth for the leagues. While it may present initial challenges for star players it may ultimately create a more prosperous landscape for all involved, counterintuitively, but especially so for top stars. Ultimately, though, there are of course limitations to the level of analysis possible with limited sample sizes of major sport leagues and limited number of years of execution. There is not empirical evidence to declare these effects with certainty but observing leagues as case studies can provide helpful insights and intuition towards process-oriented

improvement of business practices. More instances of maximum contracts in professional sports and observation over time will provide answers with more clarity.

18. Media Availability Obligations

Media interactions play a crucial role in shaping a sports league's reputation and public perception, which ultimately contributes to its long-term success. By providing additional content for media coverage, leagues establish mutually beneficial relationships with media companies, resulting in increased exposure and positive public perception. Regular interviews integrated into competitions offer valuable content that can enhance fan engagement and increase the league's visibility. However, it is important to strike a balance between generating content and respecting athlete privacy and personal satisfaction. While additional content may be a net positive, the expense of athlete privacy and personal satisfaction could also be a relevant consideration. If athletes feel their privacy is being compromised or feel disrespected by media interactions, they may respond in unfavorable ways that could be negative for a league's image.

While additional content and exposure is generally a net benefit, the content provided during media interactions is relevant as well. Athletes' behavior and comments have the power to influence fan perceptions of the league and create negative publicity. Leagues proactively training players to navigate media interactions effectively is one productive way to address this concern. Clear rules, stances, and guidelines in regard to player behavior and punishment can also help maintain a public perception of responsiveness to issues and guide athletes' interactions with the media.²⁴³

243 Paterson, James. "Disciplining Athletes for Off-field Indiscretions: A Comparative Review of the Australian Football League and the National Football League's Personal Conduct Policies." (2009).

Furthermore, cultural considerations can be vital, especially in leagues with international play. Adapting media interactions to the cultural context in which the league operates, while considering cultural norms and sensitivities, will likely help avoid misunderstandings or controversies.

Striking the right balance between player freedom and media modulation is crucial. Excessive restraint in media interactions has a potential downside of creating perceptions of disingenuous content and hinder the authenticity and spontaneity that many fans appreciate. Allowing player personalities to shine and showcasing the unique characteristics of athletes can simultaneously contribute to fan engagement and increase the league's appeal.

A further consideration is that, in the ever-evolving media landscape, leagues must adapt to new platforms and technologies. The rise of social media, influencers, and digital platforms provides leagues an opportunity to engage with fans and manage media interactions across various channels. By embracing these changes, leagues can maintain relevance, reach wider audiences, and create innovative content that resonates with fans. Star players often have a significant impact on a league's popularity and success.²⁴⁴ By facilitating media interactions and providing opportunities for star players to shine, leagues can leverage their status and enhance their marketability, attracting fans and generating indirect revenue streams related to media.

Media interactions in sports leagues are essential for reputation building, exposure, and fan engagement. It is crucial to strike balances between generating content, respecting athlete privacy, and maintaining responsiveness to public issues. Adapting to the evolving media landscape, considering cultural contexts, and proactively training athletes are key factors in

244 Park, Young Joon et al. "The external effect of a migrated star player on domestic sports league: an empirical analysis of three Asian leagues – Japan, Korea and Taiwan[1]." *International Journal of Sports Marketing & Sponsorship* (2020): n. Pag.

managing media interactions effectively. By balancing key considerations, leagues can best leverage the power of media to create long-term value through increased exposure, fan engagement, and indirect revenue streams.

19. Drug Testing

The challenge of addressing the use of performance-enhancing drugs in organized sports has been a persistent issue since the inception of such competitions. Athletes across various sports have been found to use these substances at significant rates.²⁴⁵ There are several reasons why doping remains a difficult problem to tackle for sports organizations.

Firstly, the detection of PEDs is a complex process. Athletes have been known to employ various techniques to evade detection, such as the use of diuretics and increased fluid intake, which help mask the presence of PEDs. Moreover, with advancements in medical and pharmaceutical technologies, new substances are being developed that can mimic the effects of known PEDs but remain undetectable in standardized drug tests. Even as tests constantly evolve, so may the chemists producing designer drugs and their detectability.

Secondly, the enforcement of anti-doping rules goes beyond just the technical and scientific difficulties. It is also an economic issue. Implementing a comprehensive and effective drug testing program can be costly and logistically challenging, requiring significant resources and cooperation from numerous stakeholders. Some leagues may be unwilling or unable to commit the necessary resources to this endeavor.²⁴⁶

245 Dimeo, Paul & Møller, Verner. (2018). *The Anti-Doping Crisis in Sport: Causes, Consequences, Solutions*. 10.4324/9781315545677.

246 Dimeo, Paul & Møller, Verner. (2018). *The Anti-Doping Crisis in Sport: Causes, Consequences, Solutions*. 10.4324/9781315545677.

The issue of PED use in sports is multifaceted and complex. It requires addressing not only the technical challenges of detection but also the broader reality of societal, cultural, and economic incentive structures that contribute to this behavior. Athletes often face considerable pressure to perform at the highest level, which can increase the temptation to use PEDs. However, it is not only the athletes who stand to gain from improving their performance. Leagues compete against each other in fans' perception of quality of play. A league with considerably bigger, stronger, and faster athletes would, all other things being equal, would have a competitive advantage. Thus, leagues might perceive some level of doping as potentially beneficial. This, along with the costly and technically difficult nature of drug testing make it such that the optimal amount of PED use to aim to allow for most sports leagues will be non-zero.²⁴⁷

The extent to which leagues may allow room for drug use or not maximally leverage their resources to prevent usage must be weighed against the risk of public backlash. Public perceptions of integrity of the sport and societal expectations around drug use are key factors that sports leagues must be wary of in the creation of their policies.²⁴⁸ So long as it is the case that the public is generally against athletes using PEDs and drugs of recreation, leagues ought to make a reasonably substantial attempt at dissuading use and implementing testing with some appearance of rigor.

Specifically for a league's long term value creation, it is not usage itself that necessarily must be limited but rather public perceptions of dishonesty and usage. The subsequent reality is that leagues likely stand to benefit from presenting ostensibly stringent drug testing to non-

247 Haugen, Kjetil. "Why Sports Officials May Choose Not to Fight Performance-Enhancing Drugs." *European Journal of Sport Studies* (2015): n. pag. Print.

248 Haugen, Kjetil. "Why Sports Officials May Choose Not to Fight Performance-Enhancing Drugs." *European Journal of Sport Studies* (2015): n. pag. Print.

pharmacologically inclined fans while allowing some unknown non-minimized amount of drug use to occur. While analysis of drug use amongst athletes is inherently difficult to assess and studies are limited, there is some evidence to support that this is what occurs.²⁴⁹ Moral arguments aside, this is what evidence and reasoning most clearly suggests to be the current nature of incentive structures that leagues and athletes face.

While implementation of policy specifics should be left to experts in the field, leagues should generally attempt to create drug policies on top of limited public legislation. This should be done in such a way to be conducive to perceptions of a mostly drug free sport and at least nominally prohibit if not actually prohibit drugs viewed negatively in the public eye. Given the constitutional limitations of government ability to implement drug testing protocols^{250 251}, leagues should allow for some substantial degree of requirements during collective bargaining.

20. Stadium Quality

Stadium age, amount of seats, and luxury suites have been found to have positive impacts of revenue generation, wealth accrual, and generally be worth the costs of their investment.²⁵² A similar study acknowledged the effects of stadium improvement on major sports leagues such as the MLB but investigated investments in minor league baseball stadiums as well. They found, over a ten year period, that new stadiums increase attendance by 1.2 million fans at the AAA

249 Kazlauskas, R and Graham J. Trout. "Drugs in sports: analytical trends." *Therapeutic drug monitoring* 22 1 (2000): 103-9 .

250 Washutka, David M. "Collective Bargaining Agreements in Professional Sports: The Proper Forum for Establishing Performance-Enhancing Drug Testing Policies." *Pepperdine Dispute Resolution Law Journal*, 1 Dec. 2007, <https://digitalcommons.pepperdine.edu/cgi/viewcontent.cgi?article=1075&context=drlj>.

251 Rose, L. M., & Girard, T. H. "Drug Testing in Professional and College Sports." *University of Kansas Law Review*, vol. 36, no. 4, 1988, pp. 787-821.

252 Brown, Matthew T. and Nagel, Mark and McEvoy, Chad D. and Rascher, Daniel A., *Revenue and Wealth Maximization in the National Football League: The Impact of Stadia*. *Sport Marketing Quarterly*, Vol. 13, No. 4, December 2004, Available at SSRN: <https://ssrn.com/abstract=926210>

level, 0.4 million at the AA and high A level, and 0.2 million at short season low A.²⁵³ While there is evidence that stadium investments are not worth the investment at a public level²⁵⁴, there is growing evidence to suggest that it is worth the investment for individual teams and league entities.²⁵⁵

Mechanisms such as the NFL's G3 and G4 investment funds or the EPL's Stadium Fund²⁵⁶ that take out loans as a league entity and allow individual teams to borrow from it at lower interest rates are positive integrative practices that create long term value. Such a strategy enables leagues to foster a more cooperative and collaborative approach to stadium investments and upgrades, benefiting the entire league. By implementing a funding system like the G3 or G4 fund, leagues can ensure that individual teams have access to the necessary resources for developing and maintaining state-of-the-art facilities. This, in turn, helps enhance the overall fan experience and increases the league's marketability, resulting in higher revenues for both owners and players.

When leagues consider implementing similar funds, they encourage teams to invest in their stadiums and facilities in a way that aligns with the league's broader objectives. This centralized approach to financing allows for more effective resource allocation and enables the league to prioritize projects that will have the most significant impact on the league's overall growth and success. Additionally, by offering lower interest rates through a league-wide fund, teams are more inclined to invest in their facilities, knowing they can obtain favorable financing terms.

253 Gitter, Seth R. and Thomas A. Rhoads. "Stadium Construction and Minor League Baseball Attendance." ERN: Urban Infrastructure (Topic) (2014): n. Pag.

254 Siegfried, John, J., and Andrew Zimbalist. 2000. "The Economics of Sports Facilities and Their Communities." *Journal of Economic Perspectives*, 14 (3): 95-114.

255 Gitter, Seth R. and Thomas A. Rhoads. "Stadium Construction and Minor League Baseball Attendance." ERN: Urban Infrastructure (Topic) (2014): n. Pag.

256 <https://www.premierleague.com/communities/facilities>

Moreover, Stadium quality can significantly impact fan experience, influencing attendance and fan loyalty. Modern stadiums with comfortable seating, enhanced audio-visual systems, diverse food and beverage options, and efficient transportation access can create a more enjoyable environment, encouraging fans to attend games more frequently.²⁵⁷ High-quality stadiums can also attract more lucrative sponsorship deals and partnerships, as brands may be more willing to associate themselves with modern, state-of-the-art facilities. Greater sponsorship demand can contribute to increased revenue for franchises and the league. Another potential benefit of stadium improvement is that more eco-friendly stadium infrastructure can enhance the reputation of the league and its franchises, making them more appealing to environmentally-conscious fans and partners.

Technological innovations in modern stadiums can improve game-day operations, fan engagement, and data collection. Technologies such as augmented reality, virtual reality, and real-time analytics can offer unique fan experiences and provide valuable insights for teams and leagues to enhance their strategies.²⁵⁸ These features may create greater demand for stadiums to be used for other non-sporting events which can lead to additional revenue or incentive for subsidization by local governments.²⁵⁹ Additionally, top-tier athletes may be more attracted to franchises and leagues with modern stadiums. This provides a competitive edge in attracting and retaining talent, contributing to the relationship between stadium quality and team success.²⁶⁰

257 Gitter, Seth R. and Thomas A. Rhoads. "Stadium Construction and Minor League Baseball Attendance." ERN: Urban Infrastructure (Topic) (2014): n. Pag.

258 Bajpai, Abhishek and Amritashish Bagchi. "Enhancement of Fans Experiences in Stadiums through better Facility Management." Annals of Tropical Medicine and Public Health 23 (2020): n. Pag.

259 darf, Boushra A. Al. "Typological features of sports facilities as elements of the public service system." Stroitelstvo nauka i obrazovanie [Construction Science and Education] (2019): n. pag.

260 Watson, Jack C and Andrew Krantz. "Home Field Advantage: New Stadium Construction and Team Performance in Professional Sports." Perceptual and Motor Skills 97 (2003): 794 - 796.

Stadium quality not only benefits individual teams but also creates a more attractive and exciting league as a whole, which can further drive interest in the sport and boost overall revenue.

It is important to note that stadiums have generally not been found to be good investments for surrounding economies given their costs.²⁶¹ However, strictly from the perspective of the league and its franchises, particularly when publicly subsidized, investing in stadium quality can generate greater revenue.²⁶² When considering stadium investments, leagues must weigh the potential benefits against the costs. While improved stadium quality has been strongly evidenced to be beneficial for teams and the league alike in various ways, this of course must be weighed against the costs of constricting or renovating new stadia. When costs are publicly subsidized by local governments, this can greatly lower costs for individual franchises as well as leagues that stand to benefit. Generally, given historical levels of subsidization and construction costs, the investments have been worthwhile for major sports leagues.^{263 264 265} However, of course, there is no academic data that can perform the specific cost benefit analysis of any individual stadium contracts and decision makers should weigh the potential benefits against their corresponding price tag. With that in mind, investment in stadium quality has generally led to creation of long term value.

261 Siegfried, John, J., and Andrew Zimbalist. 2000. "The Economics of Sports Facilities and Their Communities." *Journal of Economic Perspectives*, 14 (3): 95-114.

262 Yusof, Aminuddin Mohd and Hooi See Lee. "Spectator perceptions of physical facility and team quality : a study of a Malaysian Super League soccer match." (2008).

263 Gitter, Seth R. and Thomas A. Rhoads. "Stadium Construction and Minor League Baseball Attendance." ERN: Urban Infrastructure (Topic) (2014): n. Pag.

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Afterthoughts

Throughout this exploration of various mechanisms and considerations for sports leagues, one must keep in mind that even following the most logically sound or evidence-based recommendations does not guarantee immediate success. Successful leagues can exist without incorporating the highest value approaches, and there are many factors at play when it comes to the overall popularity and competitiveness of a league. However, the research and reasoning presented here offer valuable insights and serve as a starting point for league owners and management to consider when shaping their organizations.

One theme that emerges is the resistance to change due to fan values, status quo bias, and the preservation of traditions. While upholding the meaningfulness attached to sports is important, leagues must also be aware of evolving demographics and be open to revising protocols, measures, and mechanisms that contribute to long-term value creation. Finding a balance between maintaining tradition and adapting to meet the changing needs and expectations of fans is crucial.

Another theme that arises is the differentiation between absolute parity and allowing for earned differences in performance that are perceived as competitive and fair. Striking the right balance between competitive balance and rewarding teams for their success is a delicate task. Leagues must design systems that encourage competition while also ensuring that differences in resources and talent do not create insurmountable advantages or disadvantages.

Furthermore, the effects of these mechanisms are highly context-dependent. What works well may be detrimental without the presence of complementary mechanisms. The relationships between mechanisms, rules, implementation, and outcomes are intricate and often difficult to study, especially from correlational research alone. Leagues must be willing to engage in careful

and situation-specific planning, monitoring, and adaptation to navigate the complex incentive structures that arise from these mechanisms.

It is important to acknowledge that there is no absolute catch-all list of best practices that will guarantee success. The dynamics within sports leagues are multifaceted and require a nuanced understanding of the interplay between organizational design, mechanisms, and long-term success. The research presented here provides a foundation for considering these complexities and encourages league owners and management to take an active role in shaping their organizations, always being mindful of the unique circumstances, regional and cultural contexts, and individual factors that may come into play.

This exploration serves as a reminder that while there are identifiable and actionable mechanisms that can contribute to the success of a sports league, their implementation requires careful consideration and adaptation to specific circumstances. The research and reasoning provided here offer valuable insights, but ultimately, it is the thoughtful and strategic application of these findings in conjunction with a deep understanding of a league's unique context that will pave the way for long-term value creation and sustained success.