

N.F.L. Collective Bargaining Agreement and an Uncapped Year
Questions that Professional Football Fans Need Answers To

Outline for Sports Panel

A.B.A. Sports Symposium
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When does the CBA expire should there be no extension to the agreement?

After the 2010 NFL season.

Will there be a college draft in 2011?

Yes.

What is the “Final League Year” in the current agreement?

The “Final League Year” is the term used in the CBA to refer to the last year of the agreement. Without a further extension of the CBA, the “Final League Year” would be the 2010 League Year.

What are the differences between the “Final League Year” and any other “League Year?”

The principal differences are that in the “Final League Year,” there is no salary cap and there are substantial additional restrictions on player free agency.

Now that 2009 is the last capped year, are there rules that impact player contract negotiations and a club’s salary cap planning?

Yes. Here are the key differences:

- After the last game of the 2008 regular season, signing bonus proration is reduced from a maximum of six years to a maximum of five years.
- In 2009, there is no June 1 rule for Signing Bonus acceleration. If a player is removed from the roster or his contract is assigned via waivers or trade at any time in the 2009 League Year, any unamortized signing bonus will be immediately included in Team Salary.
- There is no year-end netting of incentives in 2009. Not-likely-to-be-earned incentives are charged to team salary immediately when earned, and likely-to-be-earned incentives are deducted when they are no longer possible to earn.
- Guaranteed salary from 2010 and beyond is reallocated to capped years unless the entire 2009 salary is guaranteed.
- 50% of guaranteed salary in any League Year beyond 2012 is reallocated to capped years.
- The 30% increase rule restricts salary increases from 2009 to 2010. For example: a player with a \$500,000 Salary in 2009 would be limited to annual salary increases of \$150,000 ($\$500,000 \times 30\%$) beginning in 2010.
- A team can include only three veteran team incentives in a player contract covering 2009 and beyond. These incentives must also be coupled with a playtime requirement. Previously, clubs were limited to eight team incentives and no playtime requirement.

Are current player benefits affected in the uncapped year?

We expect player benefits to decline in the uncapped year. The union agreed that in the uncapped year, clubs would be relieved of their obligation to fund numerous benefit programs. Examples include second career savings (401K), player annuity, severance pay, and tuition assistance. The total league-wide contributions to such plans in

2009, the last capped year, are expected to be in excess of \$225 million, or more than \$7 million per club.

What are the categories of free agents?

Players are either “restricted” or “unrestricted” free agents. Within these categories there are also “transition” and “franchise” players.

What determines an unrestricted free agent in the uncapped year?

In capped seasons (2008 and 2009), a player whose contract has expired becomes an unrestricted free agent if he has four or more accrued seasons. In the uncapped year (2010), a player whose contract has expired becomes an unrestricted free agent only if he has six or more accrued seasons. An unrestricted free agent is free to sign with any club with no compensation owed to his old club.

What determines whether a player is a restricted free agent in the “Final League Year?”

In capped seasons (2008 and 2009), a player whose contract expires becomes a restricted free agent if he has three accrued seasons. In the uncapped year (2010), a player whose contract expires becomes a restricted free agent if he has three, four or five accrued seasons. The rights of restricted free agents remain unchanged in the uncapped year.

What constitutes an “accrued season?”

Six or more regular-season games on a club’s active/inactive, reserved-injured or physically unable to perform lists.

In addition to the right to designate a Franchise (or Transition) Player each capped year, can clubs designate additional players in the uncapped year?

Yes, one additional player can be tagged. In capped years (2008 and 2009), a club may designate a Franchise Player or a Transition Player. In the uncapped year (2010), a club may designate one additional Transition Player. A Transition Player must be offered a minimum of the average of the top 10 salaries of the prior season at the player’s position

or 120 percent of the player's previous year's salary, whichever is greater. A Transition Player designation gives the club a first-refusal right to match within seven days an offer sheet given to the player by another club after his contract expires. If the club matches, it retains the player. If it does not match, it receives no compensation.

What determines a Franchise Player?

A club can designate one franchise player in any given year. The type of franchise player depends on the amount of the old club's offer. An "exclusive" franchise player – not free to sign with another club – must be offered a minimum of the average of the top five salaries at the player's position for the current year as of a predetermined date (April 18, in 2008), or 120 percent of the player's previous year's salary, or the average of the top five salaries at his position as of the end of last season – whichever of the three is greatest. If the player is offered a minimum of the average of the top five salaries of last season at his position, or 120 percent of the player's previous year's salary, he becomes a "non-exclusive" franchise player and can negotiate with other clubs. His old club can match a new club's offer, or receive two first-round draft choices if it decides not to match the new club's offer.

What is the Final Eight Plan?

During the uncapped year, the eight clubs that make the divisional playoffs in the previous season have additional restrictions that limit their ability to sign Unrestricted Free Agents from other clubs. In general, the four clubs participating in the Championship Games are limited in the number of free agents that they may sign; the limit is determined by the number of their own free agents signing with other clubs. For the four clubs that lose in the Divisional playoffs, in addition to having the ability to sign free agents based on the number of their own free agents signing with other clubs, they may also sign players based on specific financial parameters.

Is there an Entering Player Pool in the uncapped year?

There may be. The CBA provides that the league has the unilateral right to make that determination in an uncapped year.

Is there a Minimum Team Salary in the uncapped year?

There is no Minimum Team Salary in the uncapped year. The Minimum Team Salary in 2008 is \$100,224,000, meaning each team is required to spend \$100 million this year on player costs (not including benefits). The team salary cap in 2008 is \$116 million.

Are there individual player minimum salaries in the uncapped year?

Yes, but they rise at a rate somewhat slower than player minimum salaries rise in capped years.

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