

# **THE IMPACT OF SUPERMAX CONTRACTS ON NBA TEAMS**

**Matteo Quadrini**

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## **Introduction**

In the National Basketball Association (NBA), the increase in supermax contracts has mostly led to more setbacks than success.

The NBA has a policy called a salary cap that allows each NBA team to spend the same amount on all their players' contracts each year. Every season, depending on how much revenue the NBA produces, they increase the salary cap around 5-8%. In 2026, the salary cap is around \$155 million per team.

The reason for a salary cap is to create equal balance across teams so there are no advantages or disadvantages. The scarce amount of money makes teams try to maximize their utility and save as much as they can. However, when a team has or wants an elite player, they have the ability to sign him to a supermax contract.

A supermax contract is a contract worth up to 35% of a team's salary cap that year. It is meant to help a team retain a star player, but it can also limit the rest of the roster's talent. A supermax contract is at the expense of the rest of the team.

## **NBA Supermax Contract Players**

In the span of 2015-2020, 7 players earned a supermax contract:

- Stephen Curry – Golden State Warriors (July 2017)
- James Harden – Houston Rockets (July 2017)
- John Wall – Washington Wizards (July 2017)
- Russell Westbrook – Oklahoma City Thunder (September 2017)
- Damian Lillard – Portland Trail Blazers (June 2019)
- Giannis Antetokounmpo – Milwaukee Bucks (December 2020)
- Rudy Gobert – Utah Jazz (December 2020)

## **Data and Methodology**

Four years after each franchise signed a player to a supermax contract, the stats show each team had a decline in overall win percentage. Many different subjects of the game were evaluated using per-game statistics to determine why every team experienced a win percentage decline.

Data included:

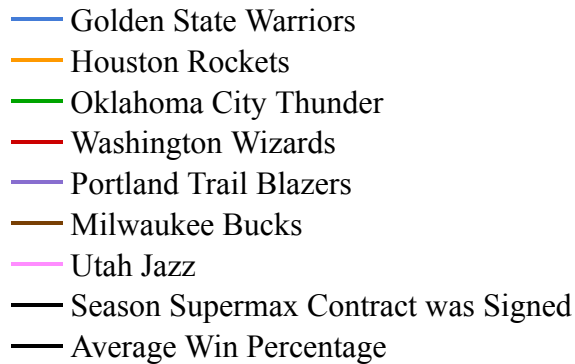
- NBA salary data
- Contract data

- Team records
- Player's per-game statistics

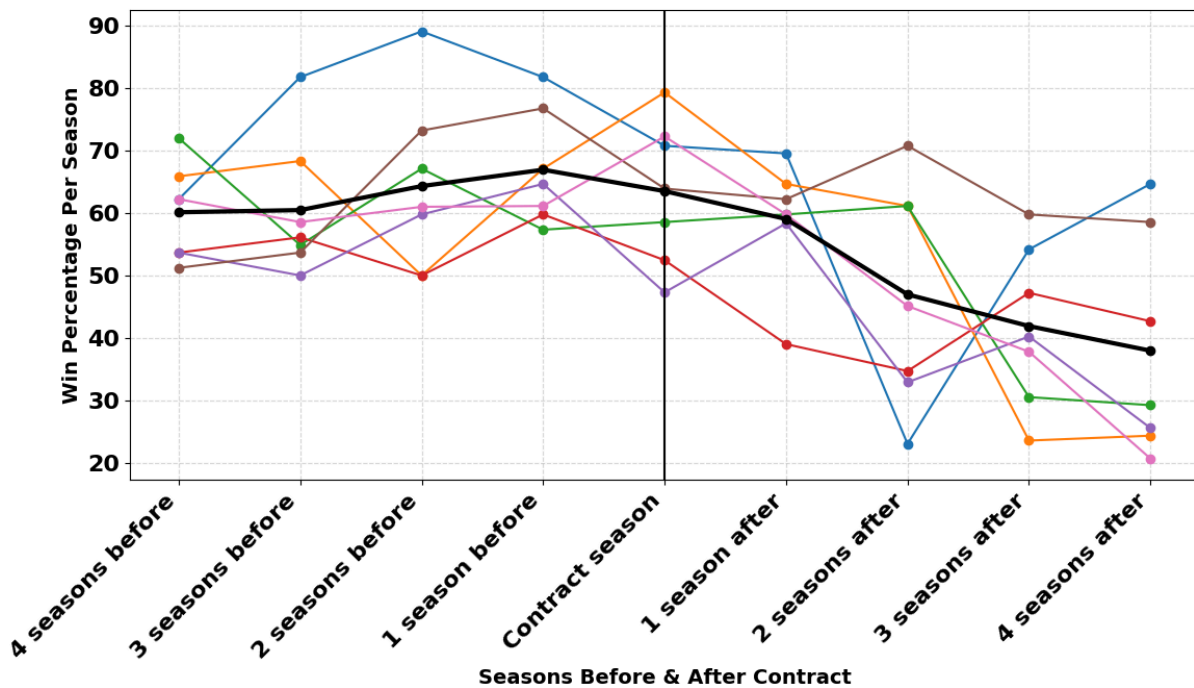
All graphs were created using Python, more specifically with NumPy, pandas, and matplotlib.

## Team Performance Results

On average, four years after signing a player to a supermax contract, the team's average win percentage in a season fell:



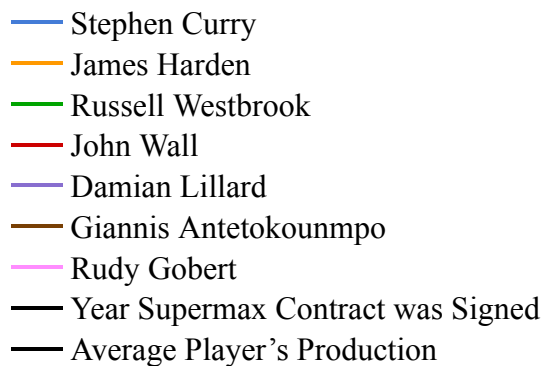
**Figure 1:** NBA teams average win percentage per-season four years before and after they signed a player to a supermax contract.



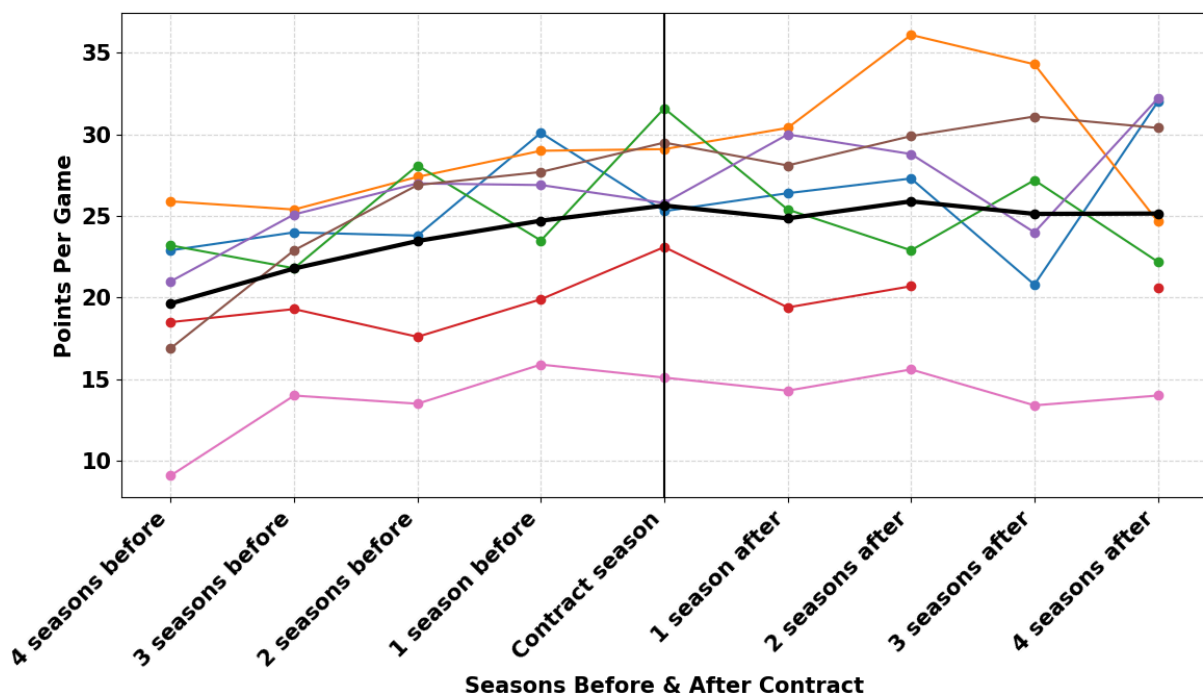
On average, figure 1 shows the seven teams' win percentage fell by around 24% four years after signing a player to a supermax contract.

### Individual Players Per-Game Production

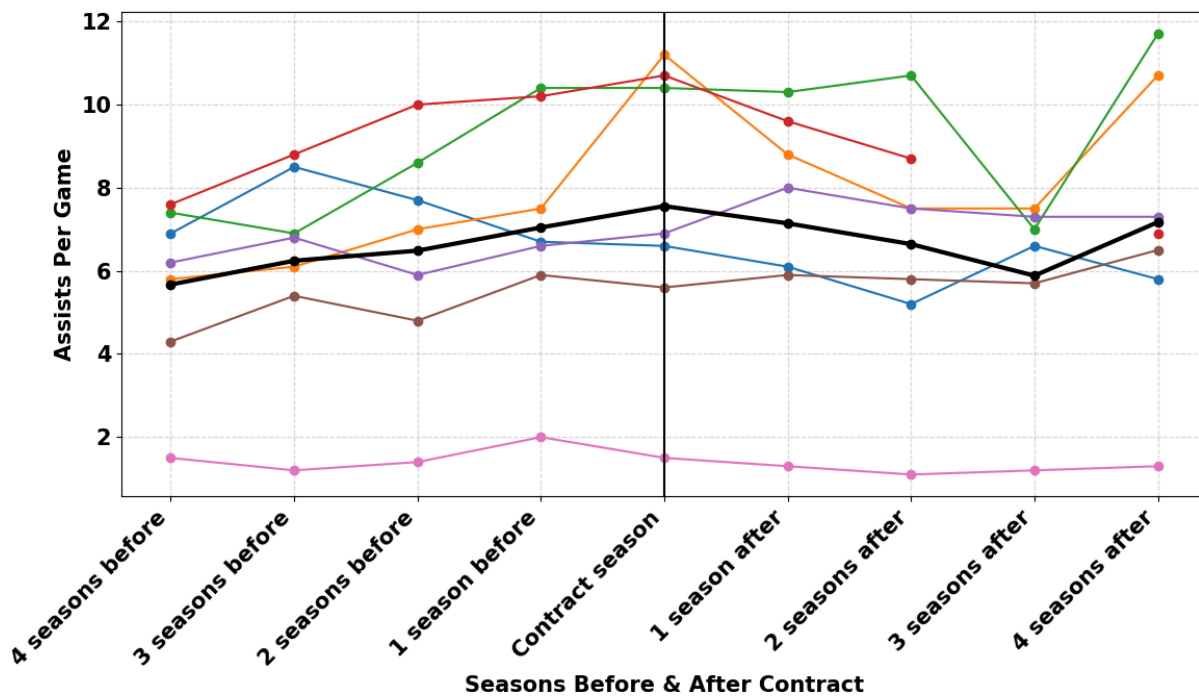
The data suggest that the decline in team performance is not due to their player on a supermax contract falling off. Figures 2-4 show each player did not suddenly have a significant decline in their individual performances:



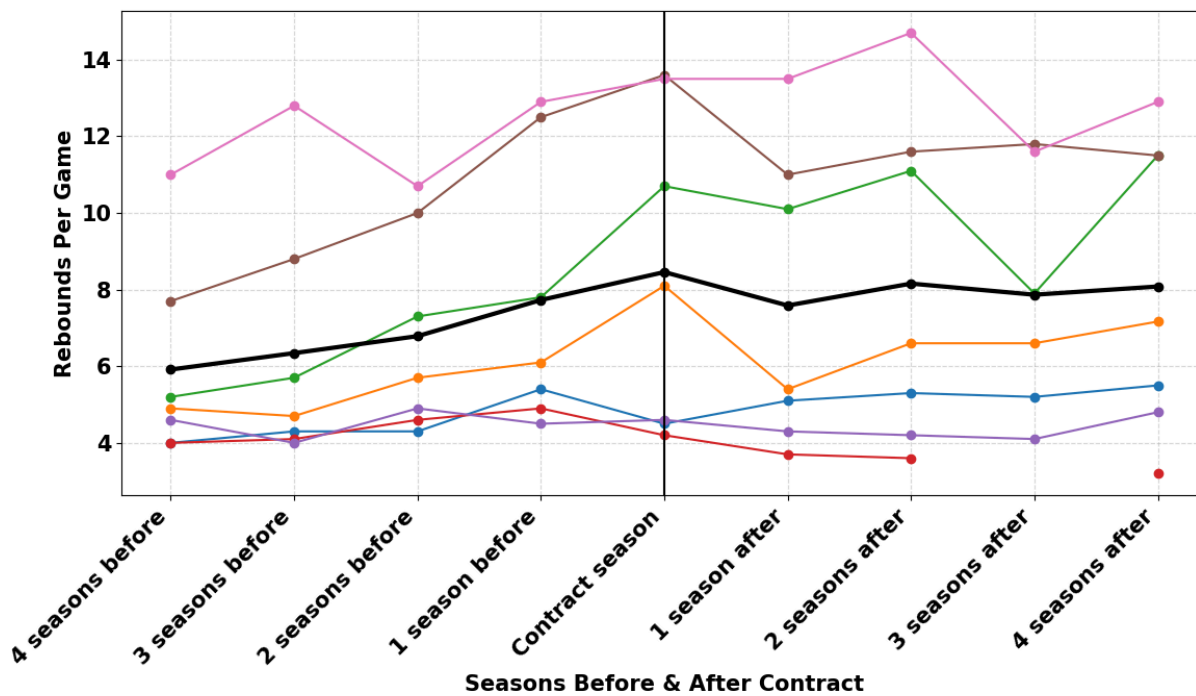
**Figure 2:** Player's average points per-game four years before and after they signed a supermax contract.



**Figure 3:** Player's average assists per-game four years before and after they signed a supermax contract.



**Figure 4:** Player's average rebounds per-game four years before and after they signed a supermax contract.



## Roster's Opportunity Cost

NBA teams experience a win percentage decline after securing a superstar player because they are overvaluing them. An NBA player is considered overvalued when he earns more than what his production merits. Organizations overvaluing one player means they are undervaluing other players on the team.

Organizations usually respond in three main ways:

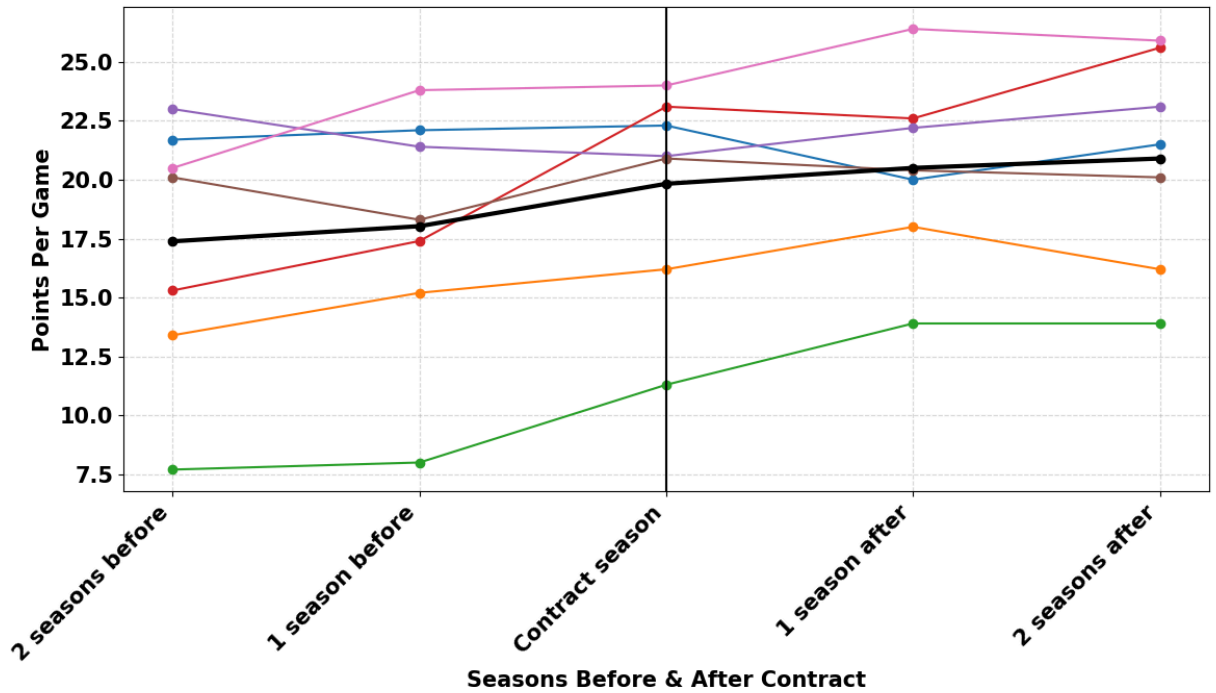
1. The organization realizes that it is overvaluing one or two players on the team and, as a result, ends up usually trading away one or both players.
2. The organization realizes other players on the team are now undervalued and may leave for a better opportunity unless they get paid more.
3. The organization ends up rebuilding. When an organization rebuilds, it prioritizes the future and trades away the key players while focusing on developing younger players, even if it causes short-term losses.

All three situations cause teams to have less roster flexibility, leading to less overall team talent.

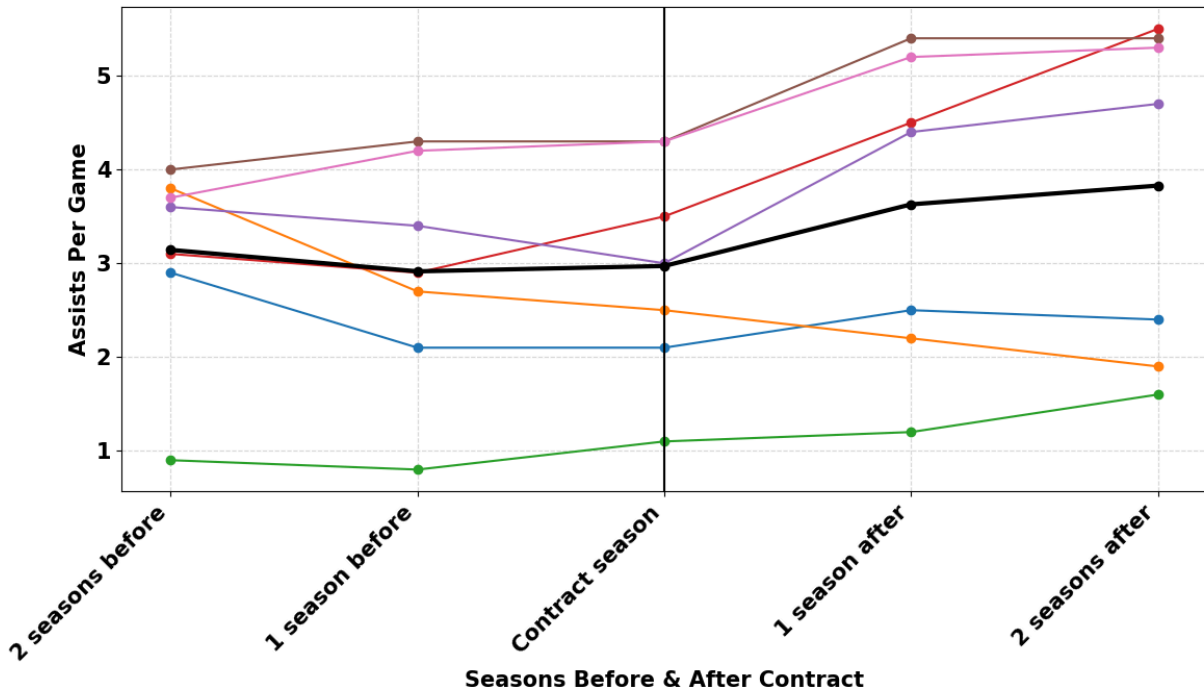
For the seven players who earned a supermax contract, they still had other talent on their team. Below are graphs that show how just one of their other teammates averaged two seasons before and after they signed a supermax contract:

— Klay Thompson  
— Eric Gordon  
— Steven Adams  
— Bradley Beal  
— CJ McCollum  
— Khriston Middleton  
— Donovan Mitchell  
— Year Supermax Contract was Signed  
— Average Player's Production

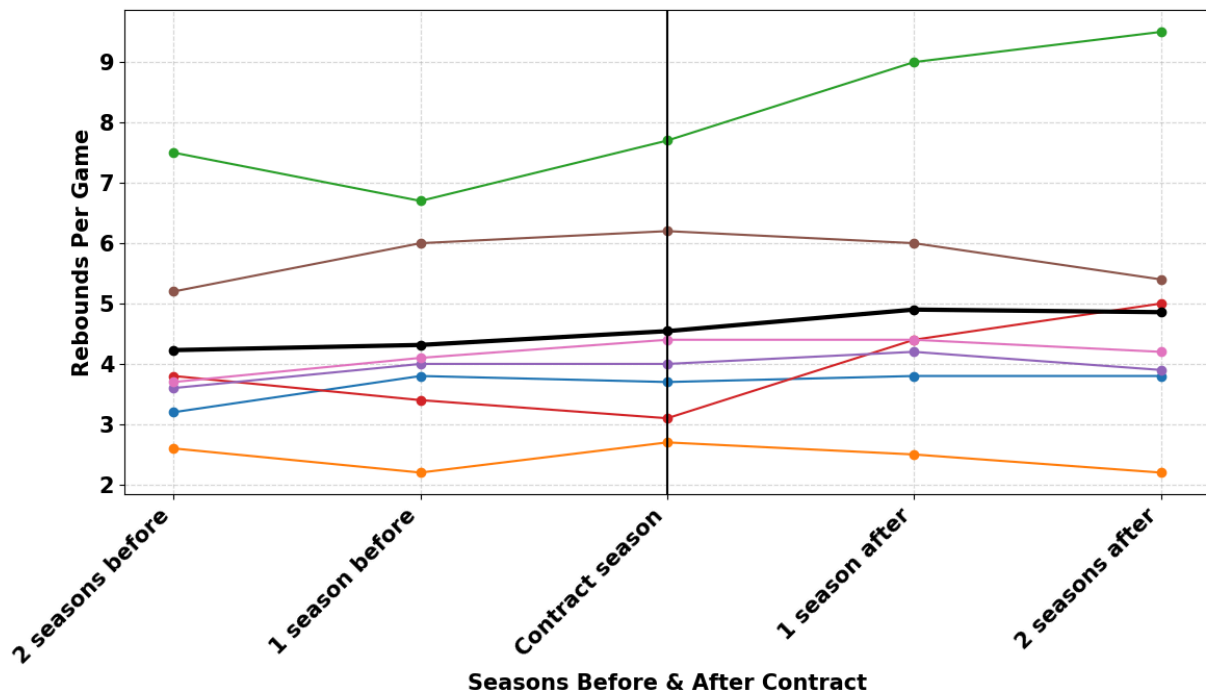
**Figure 5:** Player's average points per-game two years before and after their teammate signed a supermax contract.



**Figure 6:** Player's average assists per-game two years before and after their teammate signed a supermax contract.



**Figure 7:** Player's average rebounds per-game two years before and after their teammate signed a supermax contract.



**Golden State Warriors** – Figures 5-7 show Klay Thompson was averaging nearly similar stats to Stephen Curry. At the same time, he was only making around \$18 million a year while Curry was making \$40 million a year. Eventually in 2019, the Warriors valued Thompson more and re-signed him with a five-year contract where he could be making \$38 million a year. Thompson tore his ACL in 2020 and was out until 2022. When he returned from injury, the Warriors were dedicating around 56% of their salary cap to just Curry and Thompson. The team realized they were overspending on the two players and ended up trading Thompson to the Dallas Mavericks in 2024 and kept Curry.

**Houston Rockets** – As figure 5 shows, Eric Gordon played a crucial role for the Rockets, averaging good numbers in scoring. He was making around \$13 million a year while James Harden was making about \$57 million a year. While Harden was getting paid over four times as much as Gordon, he was only around twice as productive as Gordon statistically. The Rockets realized they were overvaluing Harden, so they traded him to the Brooklyn Nets in the middle of the 2021 season. Eventually in 2023, the Rockets also traded away Gordon to the Los Angeles Clippers and started to rebuild.

**Oklahoma City Thunder** – Steven Adams was producing big stats, especially in rebounding as shown on figure 7. That same year the Thunder re-signed Adams to a four-year, \$100 million contract; it also re-signed Russell Westbrook to a five-year contract for around \$41 million a



year. The two players alone were making around 52% of their teams allowed salary spending. Eventually, the team realized it was paying too much for the two players and started to rebuild. The team traded Westbrook to the Houston Rockets in 2019 and then Adams to the New Orleans Pelicans in 2020.

**Washington Wizards** – Figure 5 shows Bradley Beal was playing a key role for the team's scoring production. He was earning around \$25 million a year the same time his teammate John Wall was earning around \$43 million a year. The two players were earning around 50% of the teams salary cap, which led the Wizards to realize that they were overvaluing both players. The organization ended up trading John Wall to the Houston Rockets shortly after the start of the 2021 season. They valued Beal more by extending his contract and increasing his earnings to around \$35 million a year.

**Portland Trail Blazers** – CJ McCollum was playing a big role in Trail Blazers' scoring production, as shown in figure 5. He was earning around \$33 million a year. The same year the team re-signed McCollum, it extended Damian Lillard, and was paying him around \$49 million a year. The two players constituted around 55% of the Trail Blazers' allowed salary spending. The organization realized it was overpaying the two players and decided to trade away McCollum to the New Orleans Pelicans in the middle of the 2022 season and kept Lillard.

**Milwaukee Bucks** – Khris Middleton's had good production in all three stat lines, as shown in figures 5-7. Middleton was earning \$34 million a year while Antetokounmpo was making around \$46 million a year. The two were taking up around 52% of the Bucks' salary cap. The result caused other key players on the team to be underpaid and leave for other organizations. The Bucks kept its two star players, but did not experience the same success as before extending Middleton and Antetokounmpo. Eventually, in the middle of the 2025 NBA season, the team traded away Middleton to the Washington Wizards but kept Antetokounmpo.

**Utah Jazz** – As shown in figures 5-7, Donovan Mitchell was improving every season in higher stats production, causing him to be a crucial player. Just a month prior to Rudy Gobert's supermax contract, Mitchell signed a five year contract where he would be earning up to \$39 million a year. Gobert's supermax contract had him earning up to \$41 million a year, which made the two players alone take up around 56% of the Jazz's salary cap. The Jazz realized it was overpaying for the two players and started to rebuild. After the 2022 season, the team traded Gobert to the Minnesota Timberwolves and Mitchell to the Cleveland Cavaliers.

## **Conclusion**

NBA teams are giving undeserving players supermax contracts for two main reasons:

1. The team signs a player out of desperation
2. The team signs a player for marketing

In the modern era, around 12% of NBA players are on a new team every season which is nearly four times as much as three decades ago. The fear that a star player might want to leave has caused organizations to offer them a higher contract than they deserve.

In addition, NBA players can be used as strong marketing tools. Player popularity can help organizations earn higher revenue through merchandise, game tickets, and more. For example, when the Brooklyn Nets acquired star players Kyrie Irving, Kevin Durant, and James Harden in the span of around a year and a half, their per season revenue increased around 33%. NBA teams realize trading away a star player can lead to lower team revenue, which to some teams could be more important than winning.

An NBA roster is allowed to have 15 active players. When at least one player is earning 35% of the team's salary limit, it usually leads to other players being undervalued and wanting to leave for a better opportunity.

If NBA teams want to win more, they cannot pay one player so much when their teammates also play key roles. Organizations overpaying one player leads to less roster flexibility, and a decline in win percentages. NBA organizations should only offer a player a super max contract if he provides that much value to the team, and will remain consistent for the years he is under contract. Otherwise, the overvalued contract will lead to other players being undervalued and a weaker overall roster.

## References

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