

The NFL's Dwindling Middle Class

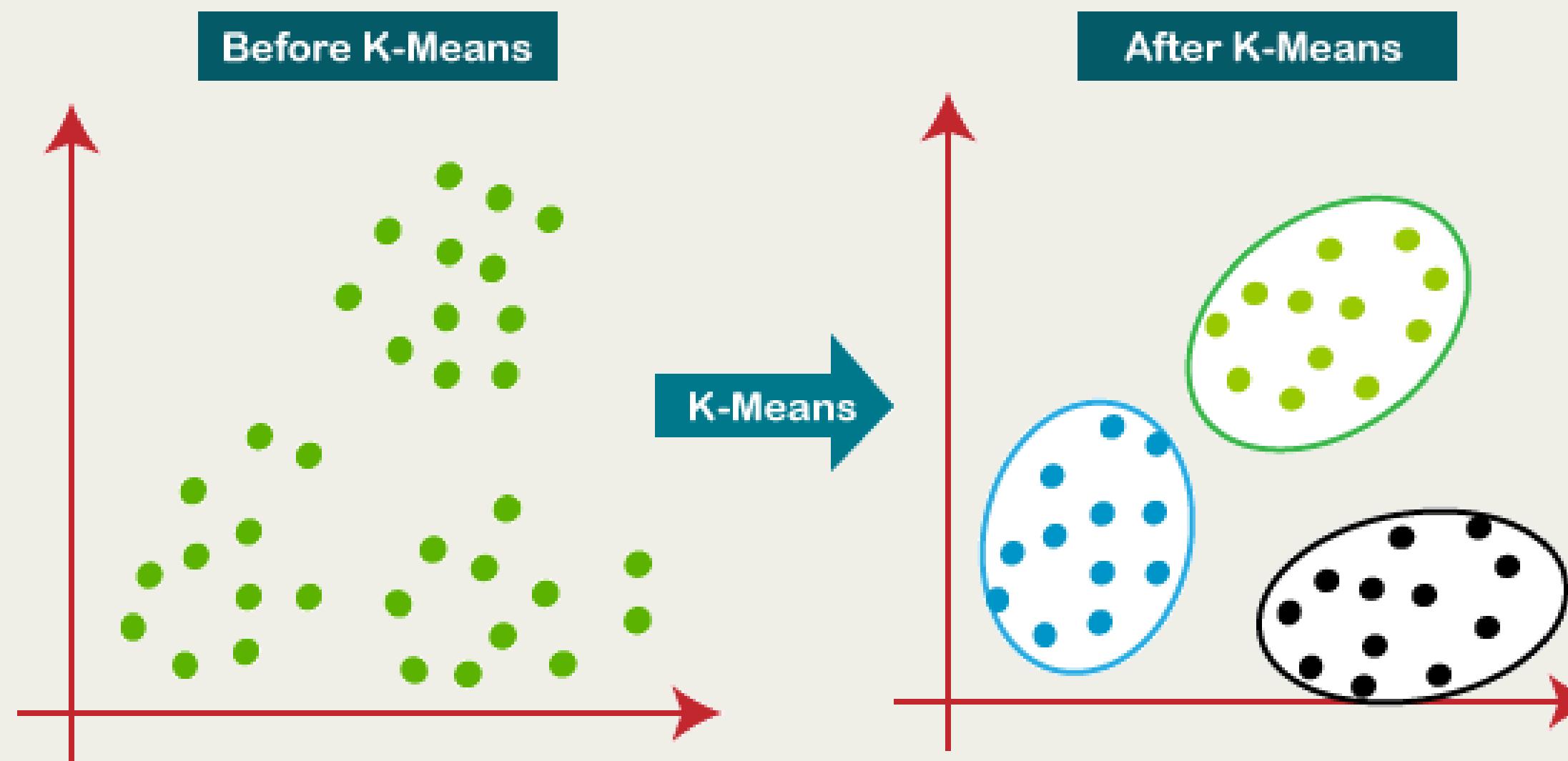
**OUR PLAN TO EXPAND THE WANING NUMBERS OF
THE NFL'S MID-LEVEL PLAYERS**

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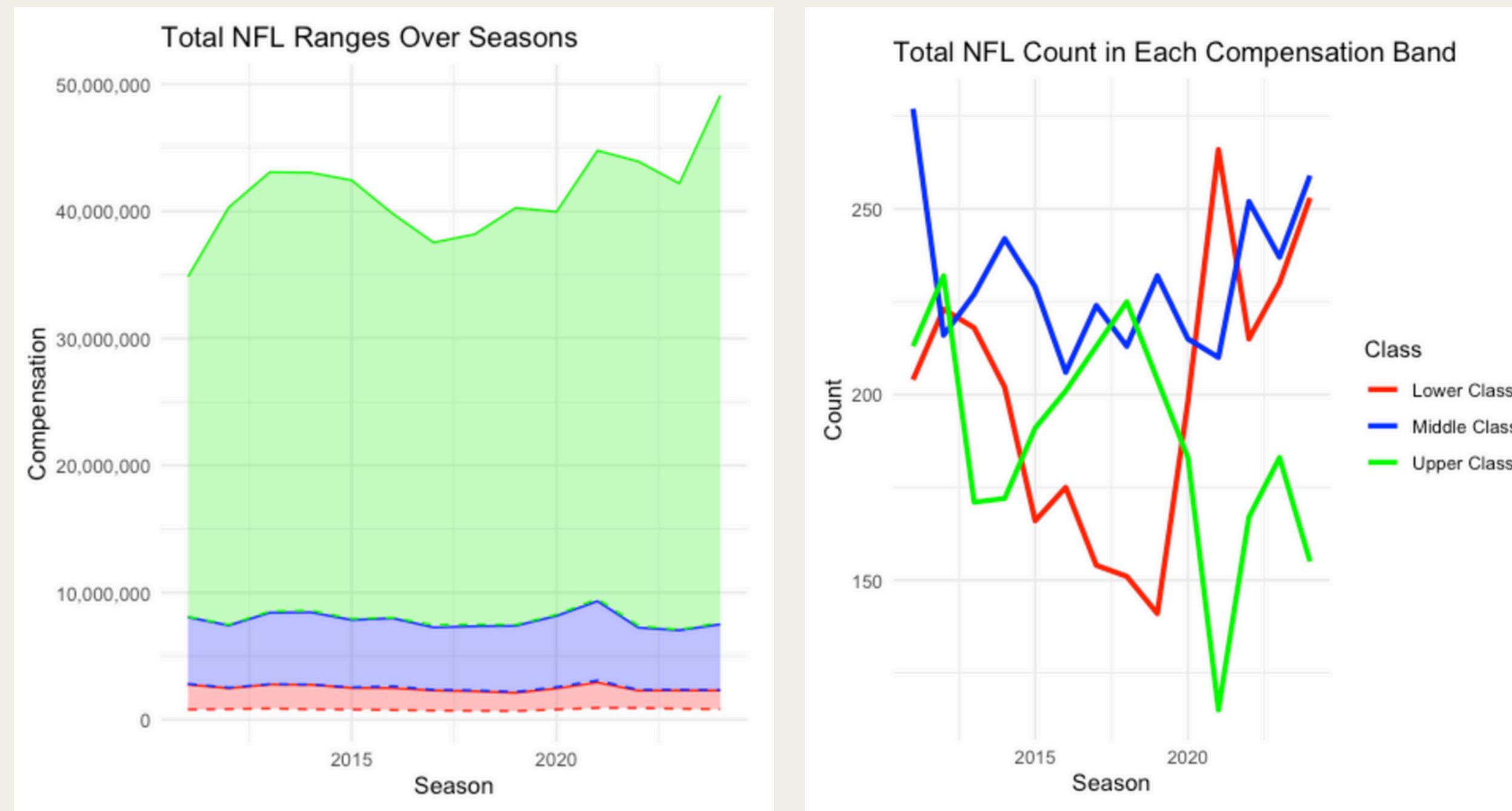
Data Acquisition & Modeling Techniques

- All data directly gathered from Spotrac, Over-the-Cap, and Pro Football Reference
- All numbers standardized to 2024's \$255 million dollar cap figure
- Only generated “classes” of veteran players who had 4 or more accrued seasons
- K-Means Clustering technique used to identify ideal number of economic classes by grouping similar contracts



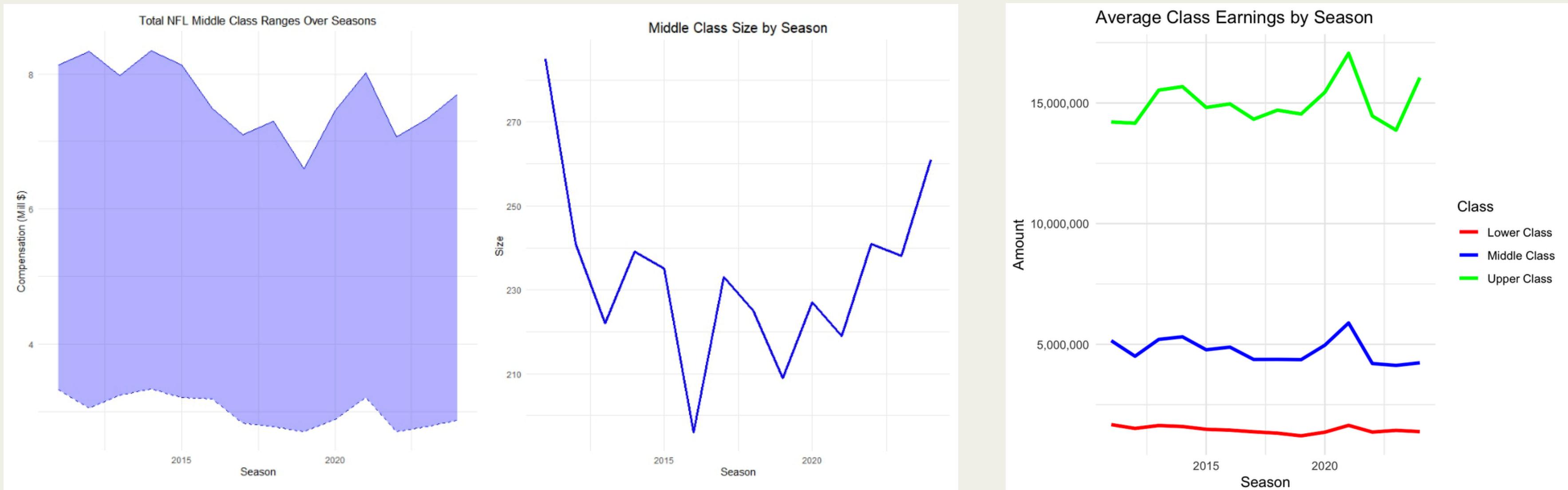
Classes Across NFL

- We ran the model from 2011 to 2024. The average class ranges across all years would be distributed as: Lower class (**“League Minimum” to \$1.9M**), Middle Class (**\$1.9M to \$6.3M**), Upper Class (**\$6.3M to \$49.1M**)
- The numbers above are an aggregate of all seasons since 2011, so for season based clarity we developed year-by-year compensation classes for the league as seen below:



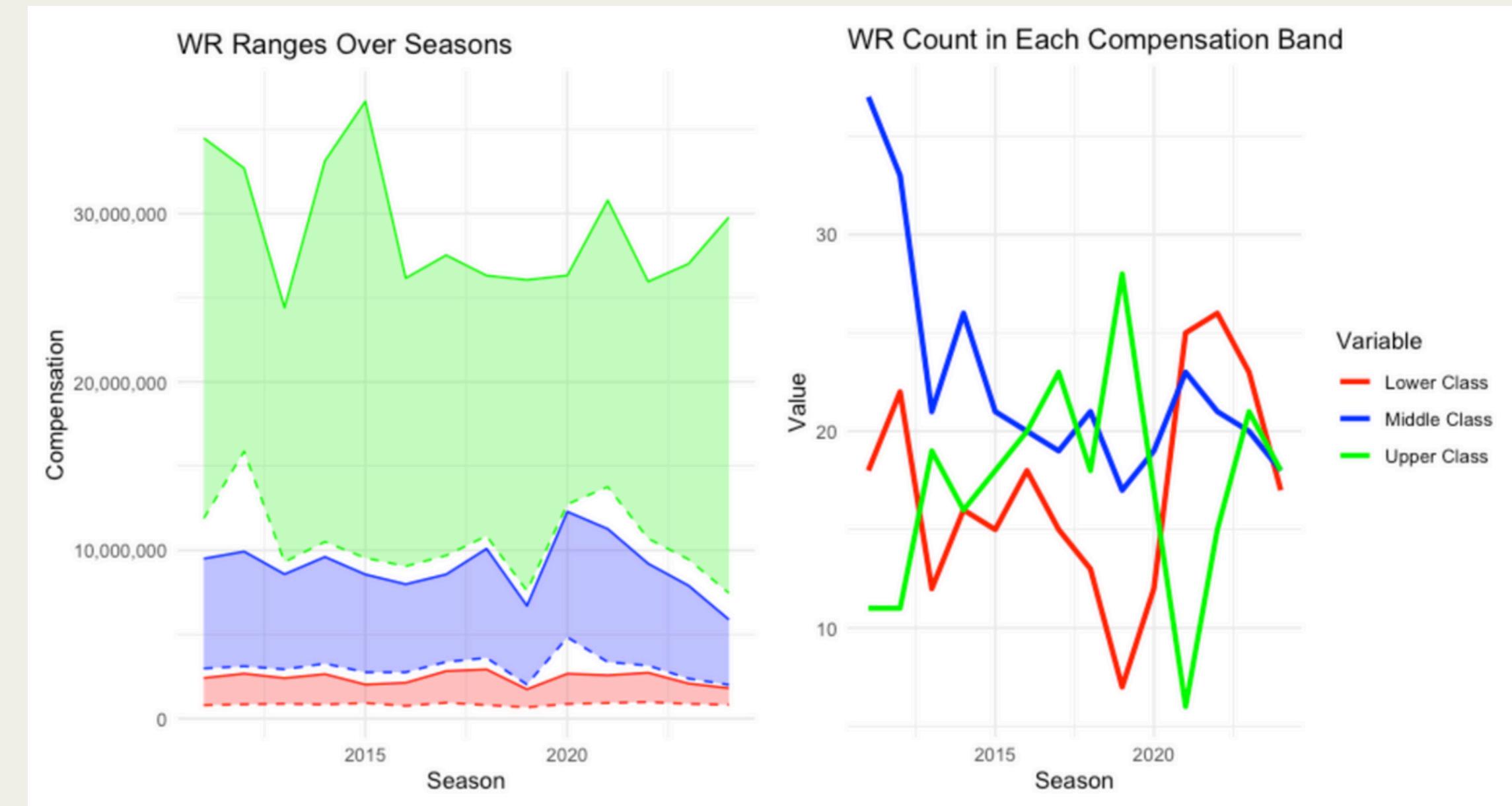
The Devaluation of the Middle Class

- The NFL's middle class has slowly contracted over time
- Some abnormal complications in 2011 and 2020, causing those seasons to be outliers
- Range of Middle Class has shrunk from **\$5.3M** to **\$4.8M**, with a steady decrease in top and bottom ends of the range
- Increasing Upper Class salaries are the largest contributing factor in the slow devaluation of the middle class



Position-Based Classes

- The league-based methodology doesn't account for differing value among positions, sometimes even classifying a backup QB as Upper Class, whereas a backup of any other position would be lower or middle class
- To combat this problem, we developed position-based classes. We generated lower, middle, and upper classes for each position to more accurately represent their markets
- As an example of a player market, Wide Receiver classes by Season are shown to the right:



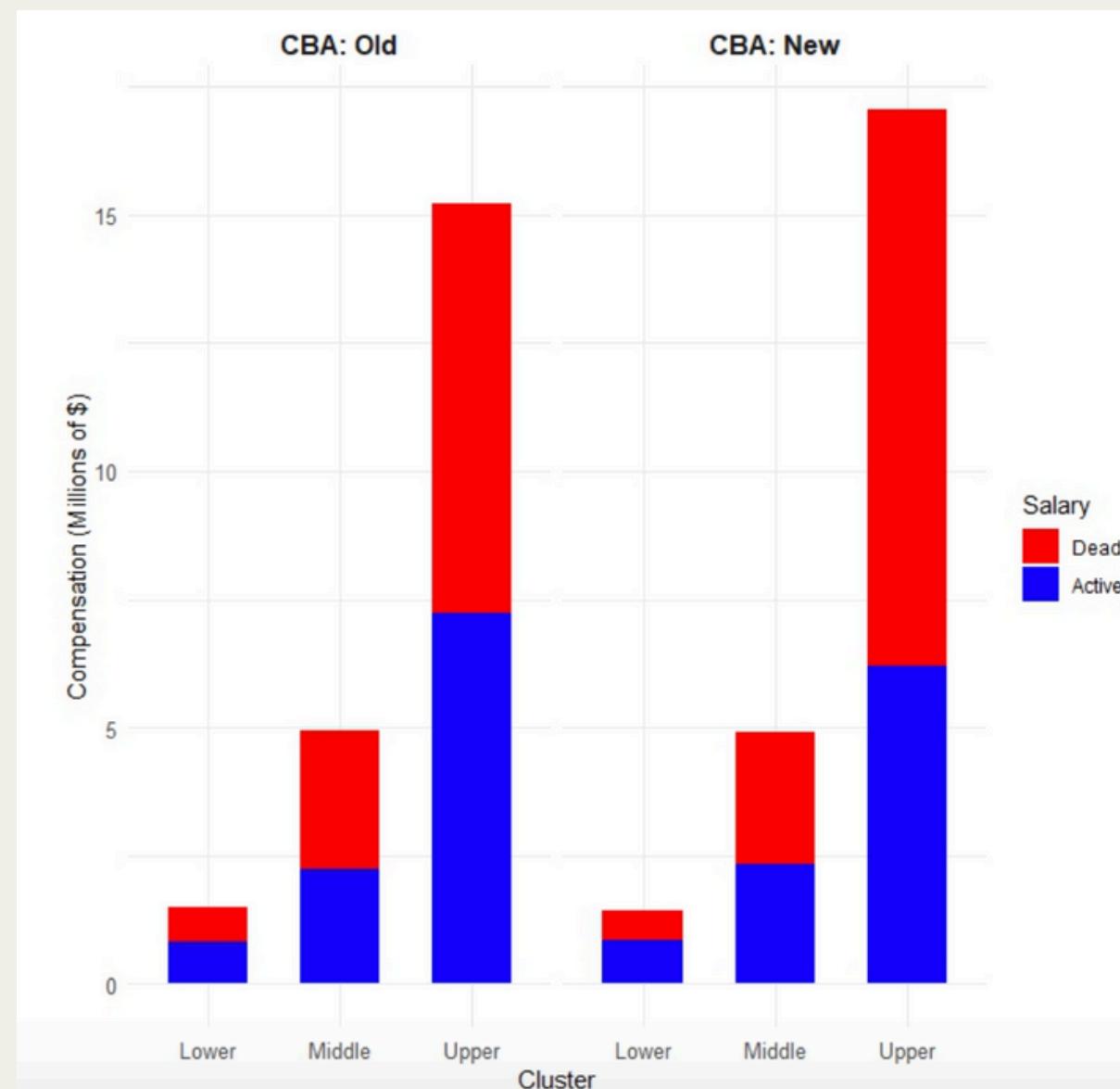
Trend: #1: Dead Money Distribution

- Since 2011, the NFL's upper class share of “Dead Money” has grown disproportionately to other classes
- A larger share of money is shifting to dead cap as shown by the top left graphic, with an increase of about **4.5%**
- The Middle Class's share of this increasing dead money has shifted to the Upper Class
- This change seems tied to the 2020 CBA, possibly due to an increase in salary cap, a change in cap management strategy, or a **23%** jump in the minimum compensation for rookie players

	Active %	Dead %	Rollover %	IR %	Other %
<i>New</i>	69.65	15.35	3.11	11.89	2.01
<i>Old</i>	73.64	10.97	4.3	13.86	0.99

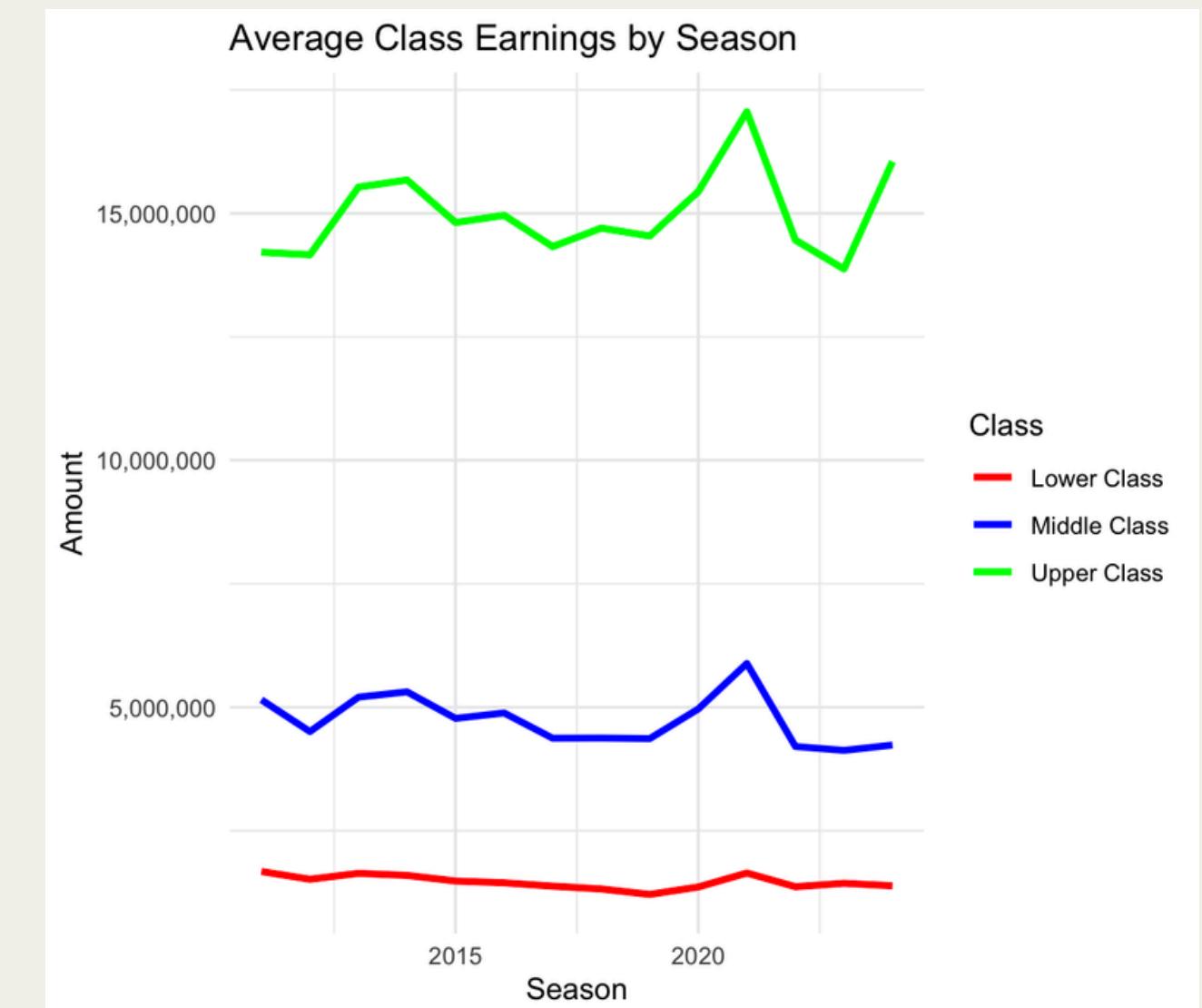
Dead Money % by CBA

Cluster	Old	New
Lower	8.1	6.5
Middle	28.0	18.9
Upper	63.9	74.6



Trend: #2: Decrease In Middle Class Earnings

- Year-over-year, the Middle Class of NFL players has seen a steady decrease in value and earnings, while the Upper Class has been growing
- Upper class salaries currently average **\$15M** and continue to increase over time, while middle and lower class resources have decreased over time due to allocation of dead cap and guaranteed money towards upper class
- This growing divide brings up the need to create incentives to allocate a larger share of cap money to middle class



Priorities

Priority #1: Advocate for a growth in middle class guaranteed money, as their share of dead money has declined.

Priority #2: Fight the growing divide between the middle-class and upper-class average salaries.

Priority #3: Implement rewards to teams for signing middle-class players.

Policy #1: Introduce a Mid-Level Exception

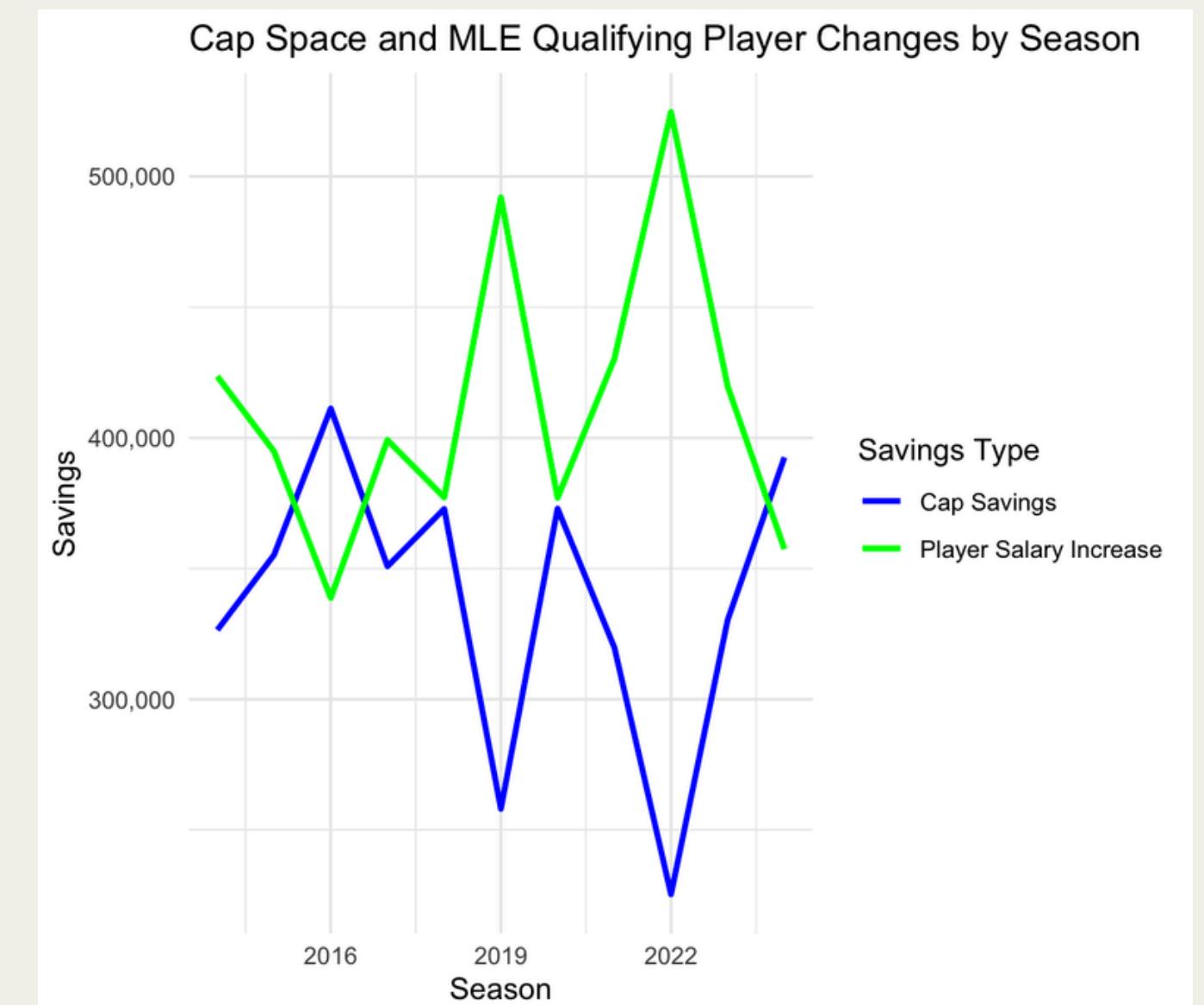
- Inspired by the NBA's Mid-Level Exception, the NFL's version of the MLE would set position-specific contract amounts on a **3 year rolling average** of middle-class salaries

- Teams receive a **\$750,000** cap credit per MLE

- MLE Usage Rules:
 - One year-contracts only (fully-guaranteed)
 - **Two exceptions per team**
 - Eligibility limited to players with 4+ accrued seasons

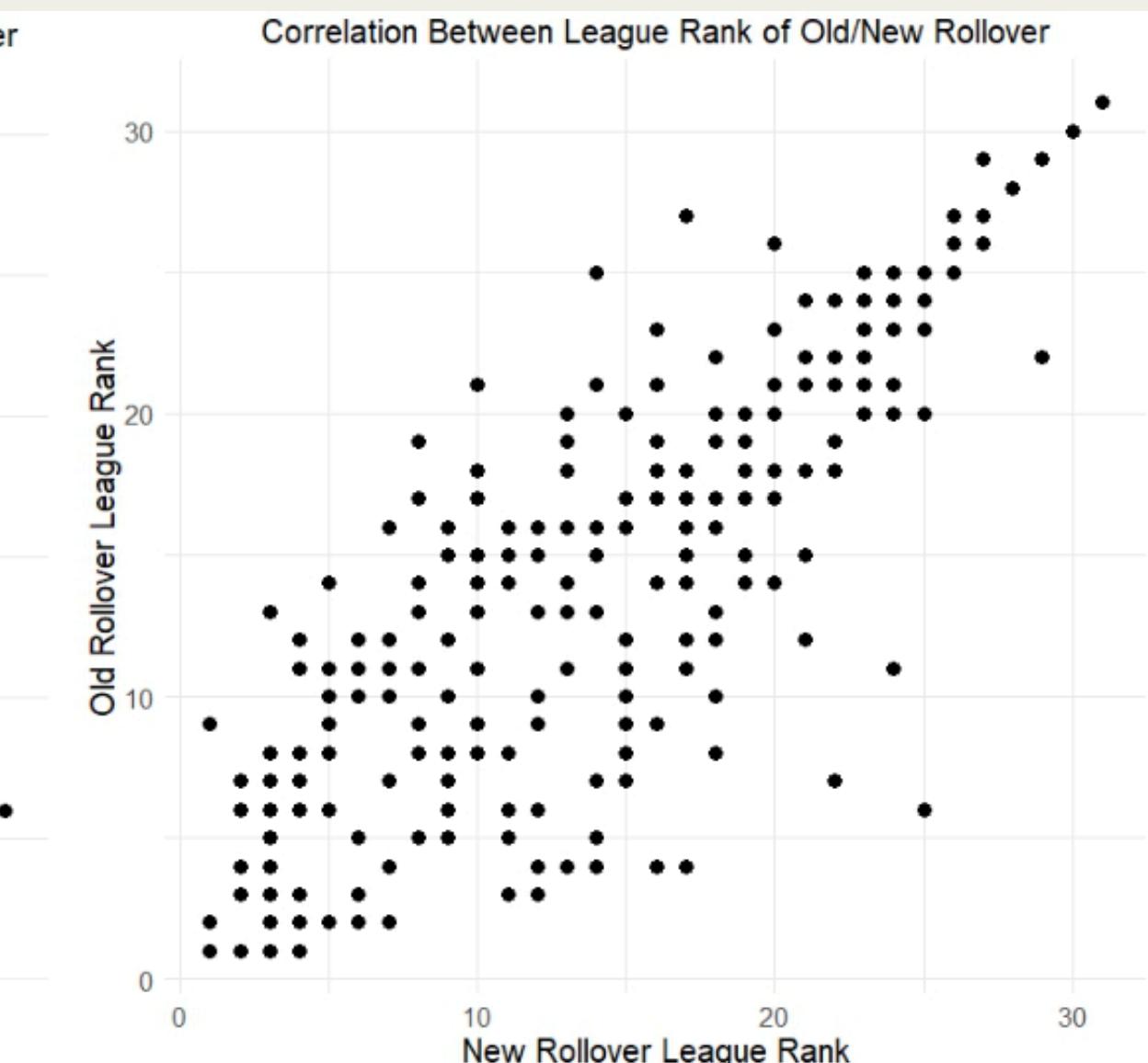
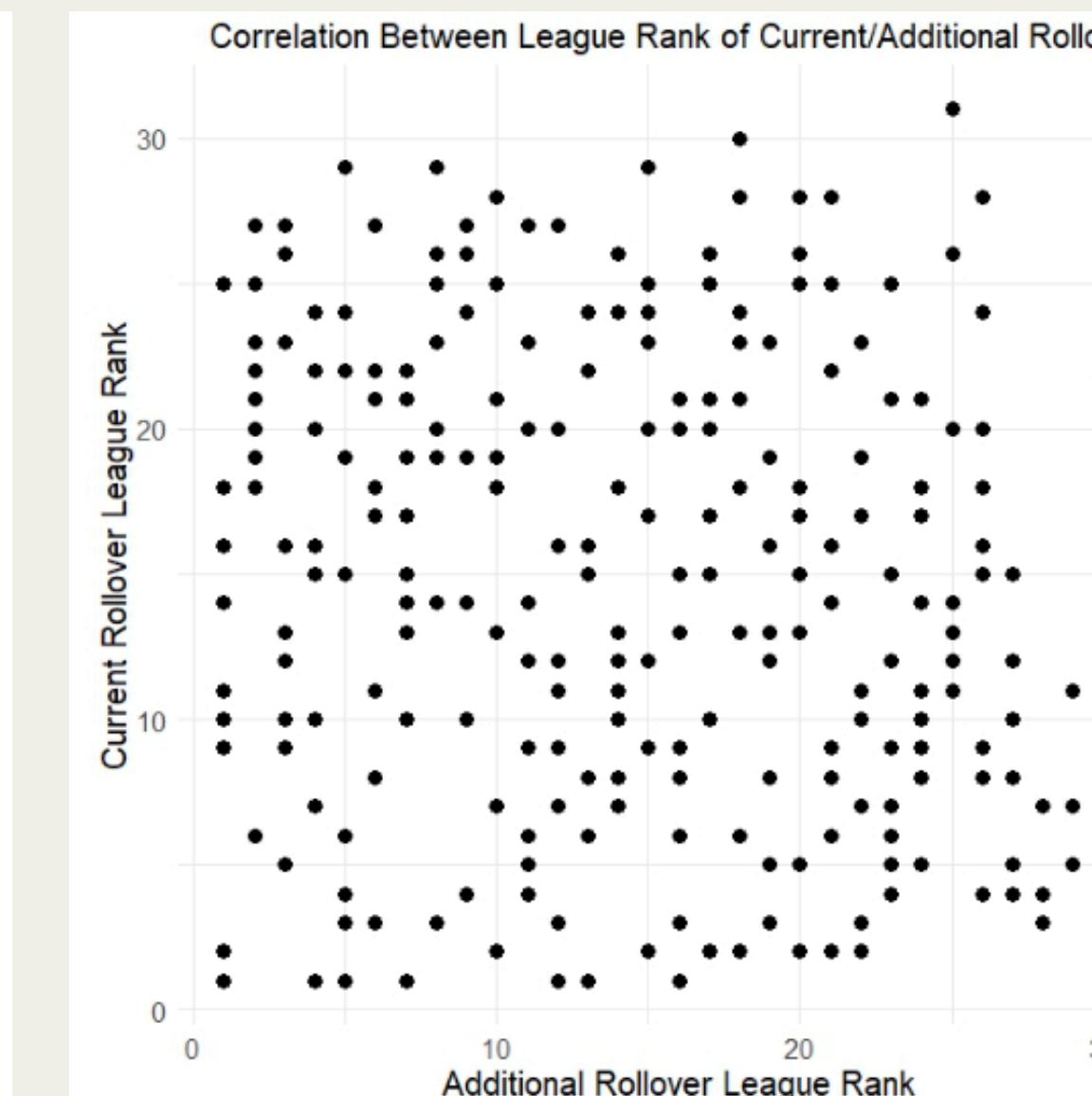
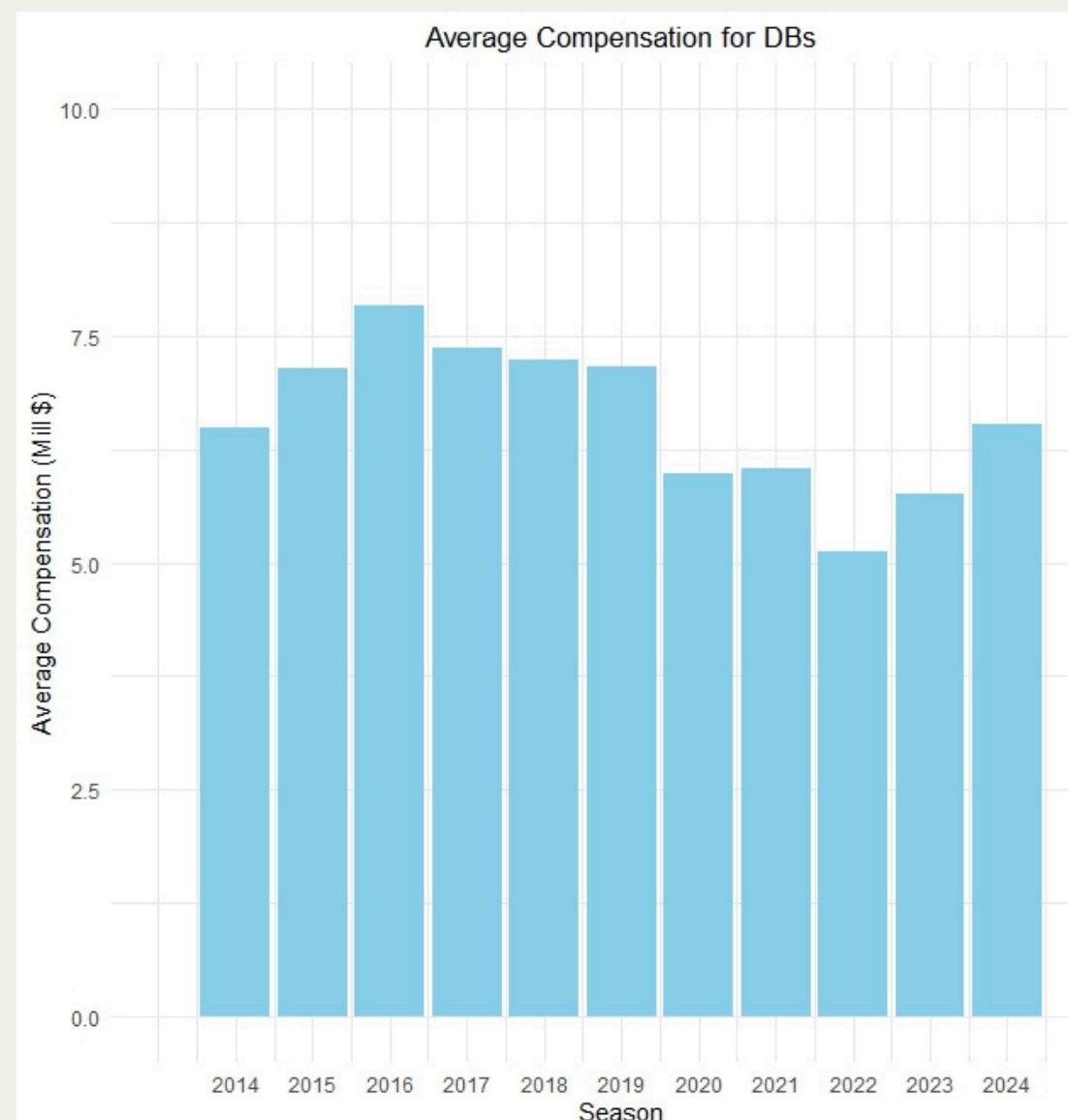
- Graph to the right demonstrates the impact of the Mid-Level exception from 2014-2023
 - Average team cap space saved: **\$335,000** per contract
 - Average player salary increase: **\$415,000** per contract

- Advantages of the Mid-Level Exception
 - Players: Increases middle-class pay and encourages above-market value contracts for middle-class players
 - Teams: Provides moderate cap savings with little financial burden



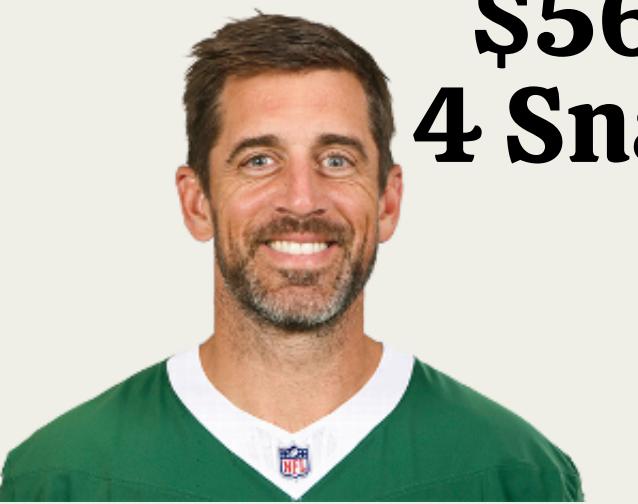
Policy #2: Introduce a Team-Level Exception

- Similar to Mid-Level Exception, but implements rewards for team salary cap based on overall roster composition
- **Three Main Priorities** in determining benefits
- Divide roster into position-based sub-groups (e.g. QB, Skill, OL...)
- Threshold amount for each sub-group for team to become eligible to receive position-based cap benefits
- Formula for benefit calculation:
 - **Threshold Amount of Position Group * Average Salary of Position Group / 25**



Financial Funding

- Total cost of Mid-Level Exception is **\$48M** and average cost of Team-Level Exception is **\$75M**, with the TLE having a range from **\$65M** to **\$98M**
- Plan to borrow from the Performance-Based Pay fund utilizing a progressive tax system, taxing Upper-Class players at higher rates than Lower-Class
- The highest paid player would be taxed **100%** which was Aaron Rodgers at **\$56M** last season across both teams. Someone making half his money, **\$28M**, would be taxed around **50%**, and someone making 10% of his money, **\$6M**, would be taxed generally around **10%**
- We will call this new bonus, **Adjusted Bonus (Adj. Bonus)**
- In order to reach objective funding amount for MLE or TLE, an “optimal number” is required to shift these percentages: $Pct = (Opt + Salary) / (Opt + Max\ Salary)$



**\$56M
4 Snaps**



**\$28M
906 Snaps**



**\$5.6M
465 Snaps**



**100% taxed
\$482 bonus**

\$0 Adj. Bonus

**50% taxed
\$256K Bonus**

**\$128K
Adj. Bonus**

**10% taxed
\$92K Bonus**

**\$83K
Adj. Bonus**

Conclusion

Clustering Middle Class and Identifying Shrinkage

- After using a clustering technique to identify the 3 main classes in the NFL, we identified the Middle class has been slowly diminishing over the last decade

Reasons for Contraction

- We believe this is due to a decrease in guaranteed money and dead money share being shifted to the Upper Class as well as general decline in the average amount received across the class

Priorities

- 1. Prioritizing guaranteed and therefore dead money within the Middle Class
- 2. Reduce the increasing divide between Middle and Upper Class salaries
- 3. Incentivize teams to sign Middle Class players

Proposed Policies

- Implementing an NBA-inspired Mid-Level Exception or a Team-Level Exception, both being funded through the Performance-Based Pay program, with the ideal scenario would be negotiating a larger share of the league revenue



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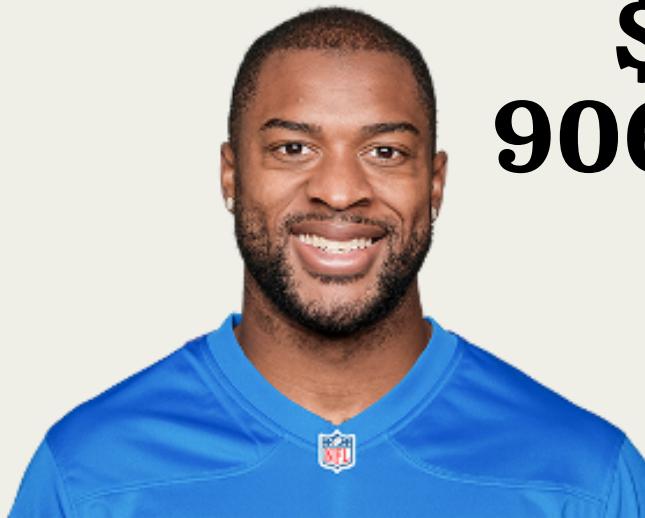
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