

A New Look at Guaranteed Contracts in the NFL

Guaranteed contracts in the NFL? Never happen!

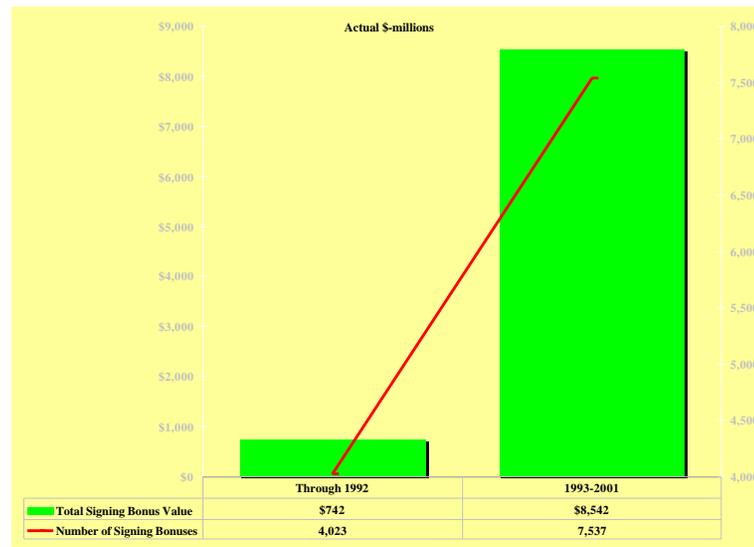
Maybe a few years ago that might have been the case. But, there've been huge changes since the current system began with the 1993 Collective Bargaining Agreement—and one of those huge shifts concerns guaranteed money players receive.

More guaranteed dollars is understandable. Guaranteed contracts, that's something else.

Since it's been mentioned, let's look first at the growth of guaranteed salary, and after that, get specifically into guaranteed contracts.

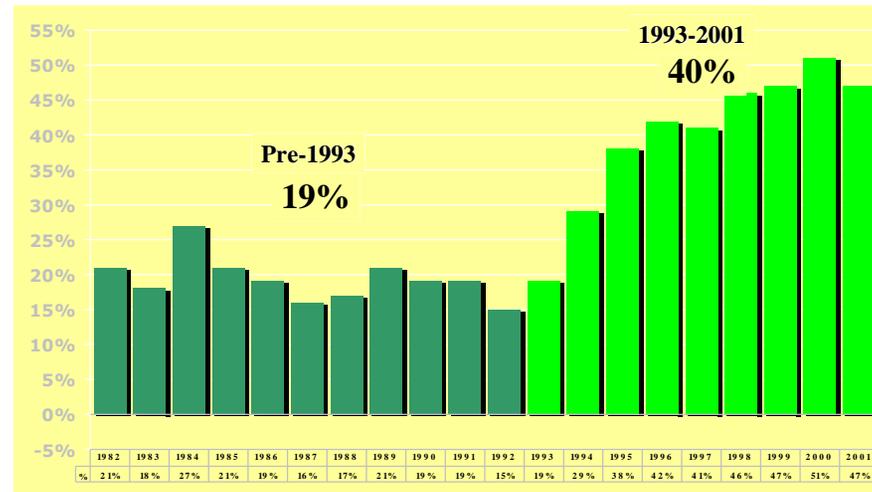
By far the most important shift is in the role of signing bonuses. That's only natural because signing bonus money remains the largest share of guaranteed dollars. The value of all signing bonuses from the date when the NFLPA began receiving copies of all player contracts is just over \$9.2-billion; of that, over \$8.5-billion, or 92% has come starting with the 1993 season. Since 1993, not only have NFL players received well over \$8-billion in signing bonuses, but also over the same period, the number of signing bonuses itself has more than doubled and the average value of a signing bonus is over 440% higher, \$125,728 for the 4,023 signing bonuses through the 1992 season versus an average \$679,934 under the current system.

Number & Value of Signing Bonuses



Also, before 1993 guaranteed salary—which was primarily in the form of signing bonuses—accounted for only around an average 20% of player salaries. That percentage has risen at a fairly constant rate since 1993 and now has reached the point where over the past three seasons approximately \$1 of every \$2 that players earn is guaranteed in one way or another.

Percentage of Guaranteed Salary Doubles



No problem there. The ability to pro-rate signing bonuses over the length of a contract and the associated ability to renegotiate a contract and receive yet another signing bonus are two of the system’s cornerstones. That still doesn’t touch on guaranteed contracts.

Okay, but still a bit more context. There’s no argument that no-cut contracts in the NFL have been a rarity.

For a lot of reasons.

Mainly, owners just said “No”.

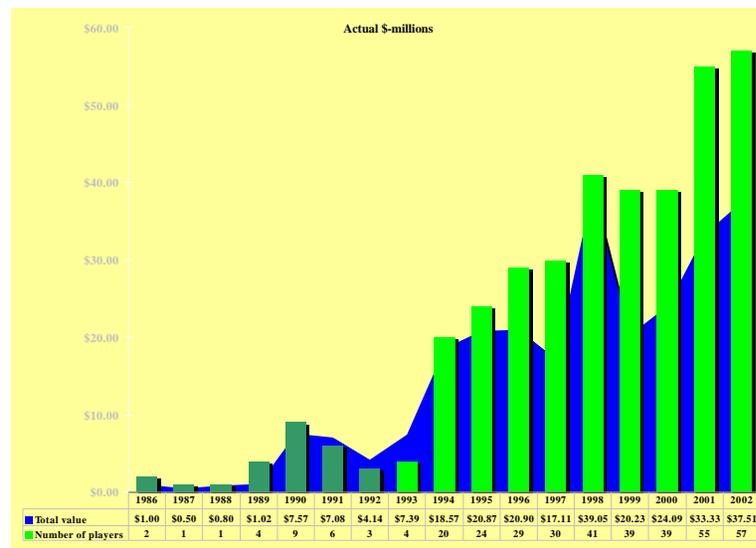
That’s the way “Things had always been” and traditionally owners held virtually all of the leverage in contract negotiations. That meant that players, who rarely—if ever--had a viable alternative if they wanted to have a pro football career, were forced to sign a series of one year non-guaranteed contracts. The NFL was “Unique”, owners argued, because injury rates to players (who, ironically took all the risks) were so high that there was no desire to have keep on paying players no longer in the league.

That comprehensive NFLPA contract data only dates back to the early 1980's. And from the 1982 through 1992 seasons only *eleven* players had *any* of their base salary guaranteed—some had guarantees for more than one season which meant that there were 26 instances where players had some of their Paragraph 5 salary guaranteed—and the total combined value of all their guaranteed base salary over that period was barely over \$22.3-million.

That too changed significantly once the 1993 CBA took effect.

Given a viable market for their services, many more players have been able to get guarantees written into their contracts. Both the number of players and the value of base guarantees have increased tenfold. Starting with the 1995 season—the second season under the NFL's Salary Cap—and continuing through every season, each season the average number of players with guaranteed base salary and the average value of those base salaries has exceeded the total number of players and the total value of all guaranteed base salary for the preceding eleven seasons. The average number of players with guaranteed base salary from 1995 through 2002 is 40 per season and the average value of their combined guaranteed salary was nearly \$27-million per season.

Guaranteed Base Salary: 1986-2002



Big deal! So now instead of five players, fifty have some part of base salary guaranteed. That's no revolution.

Agreed, that by itself isn't earth-shaking. However, it's just the proverbial tip of an iceberg. And what's happened relates directly to the phenomenal growth in the number and value of signing bonuses. True, while the *explicit* number of guaranteed contract years may not have accelerated vastly, a lesser noticed trend has led to a significant increase in what what best might be termed *implicit* guaranteed seasons.

Since the start of the 1993 season, players have negotiated nearly 470 signing bonuses with a value of \$2-million and up. Total value of just those signing bonuses is over \$1.8-billion, and their average value is almost \$3.9-million each.

That alone is impressive.

Even more so is that along with the high signing bonus value, players receiving them have remained on club rosters for around over an average three seasons; i.e., the season in which the signing bonus was received and then also the next two seasons as well.

So, in essence, a signing bonus of \$2-million and higher also means there's a high probability of gaining in addition what might easily be termed a guaranteed three year contract. As the chart below shows 95% of the players had one or more additional seasons, and, there were as many players who had six and up additional seasons as there were players who were released after the season in which the signing bonus was received.

Signing Bonus of \$2-million & Up
1993-2001

Additional Seasons*	Number	Percentage
< 1	25	5%
1	128	27%
2	133	28%
3	89	19%
4	41	9%
5	26	6%
6+	25	5%
Average	2.4	
Received by Veterans	325	70%
Received by Rookies	142	30%

*Seasons after the one
in which the signing bonus
was received.

Say again. What's the big deal. Didn't players get signing bonuses before 1993?

Of course, in itself this is nothing radical. Certainly, before 1993 some players also were able to negotiate relatively sizable signing bonuses and they too were able to extend their careers. There just were not too many of them.

Any meaningful comparisons must then also be put into context. For example, there were only 40 signing bonuses of \$2-million and up received by players in all the seasons before 1993 for which salary information is available. Since that's far too few to be able to make a good analogy, a thresh-hold value of \$1-million and higher signing bonuses can be substituted—and, even so, there were only 136 prior to 1993.

Signing Bonus of \$1-million & Up
Pre-1993

Additional Seasons*	Number	Percentage
< 1	5	4%
1	14	10%
2	41	30%
3	55	40%
4	16	12%
5	3	2%
6+	2	1%
Average	2.6	
Received by Veterans	25	8%
Received by Rookies	111	92%

*Seasons after the one
in which the signing bonus
was received.

What's all this mean for veteran players? Aren't all the big signing bonuses going to rookies and they'll be on the roster anyway for at least three seasons?

As the charts indicate, both before and after 1993 players with these “significant” signing bonuses stayed on a club roster for around an average three seasons after receiving the signing bonus.

However, other than that similarity there are major differences:

Most of the signing bonuses since 1993—70%--have gone to veteran players compared to less than 10% in the pre-1993 period. Conversely, the percentage going to first year players has dropped from 92% to 30%. Put another way, the average player who received a signing bonus worth \$1-million and up before 1993 had less than one year in the league. Since 1993, the average player with a signing bonus of \$2-million and higher is in his fifth season.

Just the veteran players receiving signing bonuses of \$2-million and up since 1993 have on average been in the league for over six seasons; veterans in the pre-1993 period who got \$1-million and higher signing bonuses had been in the league for an average five seasons.

So, what's the bottom line?

Simple. The current system means:

Over half of all salary earned by NFL players now is guaranteed.

Well over 50% of the players able to negotiate signing bonuses with a value of \$2-million and higher have also ended up with a three season “guaranteed” contract; 95% of them have had two “guaranteed” seasons.

The majority of signing bonuses worth \$2-million and up now go to veteran players with at least six years in the league rather than to rookies.

Guaranteed Salary Averages Nearly \$1-billion

