

More Like the United Nations Than McDonald's: Economic and Policy Aspects of the NFL Labor Dispute

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Introduction

On March 11, 2010, the National Football League Players Association (NFLPA) decertified immediately before the expiration of its collective bargaining agreement (CBA) with the National Football League (NFL). Two hours after decertification, the players filed an antitrust lawsuit against the NFL. (See accompanying Institute White Paper on legal issues.) This White Paper examines the reasons for the dispute between the NFL owners and players. It argues that the impasse occurred primarily because NFL team owners cannot agree on how to share revenue with each other. Although approximately 70 percent of total revenue is shared equally, the disparity between high-revenue and low-revenue teams continues to skyrocket, because of a few teams' inability to generate unshared revenue at substantially higher levels. A sensible solution is a partnership between owners and players: (a) some funds previously allocated to player salaries combine with high-revenue club investments in new stadiums that promote the long-term growth of league revenue; (b) high-revenue owners provide additional shared revenue to allow the NFL to maintain a level of competitive balance that fans demand; and (c) clubs retain significant incentives to maximize local revenue. However, the bargaining costs escalate exponentially when DeMaurice Smith and the NFLPA must negotiate not only with NFL Commissioner Roger Goodell, but also with owners interested in divergent, parochial, and self-interested goals. Antitrust litigation may be necessary to force the parties back to the bargaining table to overcome these negotiating difficulties brought on by the league's governance structure.

The Basic Revenue Sharing Issue

As is typical in the United States,[†] the National Football League is governed by the owners of the clubs that participate in league competition. In 2008, the NFL owners unanimously opted out of the collective bargaining agreement with NFL players, and are now attempting to lock out the players in hopes of securing their agreement to significant changes, primarily a reduction in the percentage of revenue that clubs must spend on player salaries. In large part, the owners are motivated by their view that the current revenue sharing model is not working.[‡] Under the current scheme (which has basically been in effect since 1995), clubs agree to a salary cap and floor that is based on total league revenue from football. This includes not

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[†] A notable exception is NASCAR, which organizes the top tier stock car racing competitions in the United States and is governed by a private corporation, where racing teams take part through arms-length 'vertical' agreements.

[‡] Judy Battista, *As Expected, N.F.L. Owners Opt Out of Labor Deal*, N.Y. Times, May 21, 2008, www.nytimes.com/2008/05/21/sports/football/21owners.html?_r=1.

only television, internet, and licensing and club seat revenue, which is shared equally among the 32 teams, but also other local stadium-related and sponsorship revenue, which is not shared.* Low-revenue teams (*i.e.* teams whose local revenue is substantially below-average) want more supplemental revenue sharing, and high-revenue teams want to keep more of the money they earn. Low-revenue teams argue that they cannot keep up with salary requirements (the cap rose 19% between 2005 and 2006 alone); they claim that they are unable to compete with big market teams in unshared revenue streams (luxury boxes, local sponsorships, advertising, and pro shop revenue), while high-revenue teams feel that supplemental revenue sharing undermines incentive for a lower-revenue team to maximize its own revenue (*i.e.*, by selling stadium naming rights).

On this issue, team owners appear unified only in the sense that they all feel the players get too much, and an extra \$1 billion per year, saved by reducing the percentage of revenue that must be spent on player salaries under the cap structure, can at least temporarily take the edge off the economic pain that some NFL teams are experiencing because of the current revenue sharing model.† Adding the \$1 billion a year to the supplemental revenue sharing system would significantly close the gap between low-revenue and high-revenue teams. High-revenue teams seem to welcome this idea because the additional money needed to support low-revenue teams would be coming from the players, not them, and low-revenue teams aren't really concerned where the supplemental revenue comes from, as long as they get it.

Despite the fact that the NFL shares equally 70-75 percent of all league revenue, the disparity among big-market and small-market teams continues to grow. This is primarily because about two-thirds of stadium revenue is not shared equally among teams, yet it is included in the pool of money used to calculate each team's salary cap obligations. While the current revenue sharing system has successfully created parity on the field, it appears that it has not created an economic model that satisfies both high-revenue and low-revenue teams. Some teams can generate substantial unshared revenue, and because of this the salary cap (and more importantly, the floor) keeps rising. Every time a high-revenue club, like the Redskins or Cowboys, substantially increases its revenue through lucrative sponsorships or building a new stadium designed to maximize luxury suite revenue, the player expenses for every team increase, because each club has to spend more to reach the mandated salary floor. As a result, high-revenue teams spend a significantly lower percentage of their income on players than most other teams. To illustrate, in 2009 the Cowboys generated overall revenue of \$420 million, and earned profits of about \$143 million. The salary cap in that year was \$128 million per team (with a floor of \$112 million). Comparatively, the Lions pulled in \$210 million, and lost \$2.9 million overall.‡ Of what the Lions collected in revenue, about 57 percent went to reaching the salary floor. But for the Cowboys, the percentage is closer to 28 percent.

* *NFL Lockout 2011: The NFL's Revenue Gap Problem*, Blogging the Boys (Feb. 21, 2011, 7:01 AM), <http://www.bloggingtheboys.com/2011/2/21/2004505/nfl-lockout-2011-revenue-gap-problem>. See also Andrew Zimbalist, *NFL Too Profitable to Risk Losing Such Success to Lockout*, Sports Business Journal, January 31, 2011, at 29.

† Owners are also united on more typical management/labor issues, such as player discipline and a desire to substitute two regular season games for exhibition contests without significant additional player compensation.

‡ Maury Brown, *Instead of Player Pay Cuts, NFL Needs More Revenue Sharing*, Forbes SportsMoney: News on the Business of Sports (Jan. 17, 2011, 3:26 PM), <http://blogs.forbes.com/sportsmoney/2011/01/17/instead-of-player-pay-cuts-nfl-needs-more-revenue-sharing>. See also Kurt Badenhausen, Michael K. Ozanian and Christina Settimi,

Like the Soviet Union under Lenin, the NFL realizes that rules that collectivize all sources of revenue deadens initiative, so the current revenue sharing system encourages teams to pursue alternative, unshared means of generating revenue. (At least ostensibly, there is more incentive to make money if you get to keep enough of it.) In the NFL there are an elite number of teams that are much more successful at generating unshared revenue. In 2009 the Redskins made more from just their luxury box sales than seven other teams made from their entire season regular ticket sales.*

Although the NFL created a supplemental revenue sharing system that goes above and beyond traditional revenue sharing, there appears to be disagreement among owners about its effectiveness. High-revenue owners have argued that keeping what you earn provides an incentive for low-revenue teams to maximize their potential. However, they are willing to accommodate their fellow owners as long as the money needed to support low-revenue teams comes from the players, not them. Low-revenue owners argue that the system doesn't work, and the amount of supplemental revenue sharing must be increased.

Revenue Breakdown[‡]

All broadcast TV and radio revenue is shared among the 32 teams. In 2009, for example, the Green Bay Packers (the only team that discloses its accounting) reported \$96 million in shared TV and radio income.

Ticket revenue is partially shared: the effect of the formula used is that 66 percent of sales stay with the home team, and 34 percent is split equally among the 32 teams. Revenue generated from luxury box suites is not included in ticket sales, but still counts towards the salary cap calculation, and remains one of the bigger reasons for the increasing disparity in profit among NFL teams. The average NFL team makes about \$55 million in ticket sales, but in 2009 the Cowboys made nearly \$112 million. So even though ticket revenue is partially shared, sharp disparity still exists.

All NFL licensing is shared among the 32 teams. This includes all merchandise or website content containing an NFL or club logo, and more significantly now includes large Comcast and DirecTV contracts. However, local revenue generated through advertising, sponsorships, and pro shops is not shared. This was primarily the result of a settlement in the 1990s, when Cowboys' owner Jerry Jones signed lucrative deals with Pepsi and Nike (even though the NFL had deals with Coca-Cola and Players, Inc.). The settlement eventually allowed teams to pursue local streams of revenue in the Jones fashion, and keep everything they could earn.[‡]

Recession Tackles NFL Team Values, Forbes.com (Sept. 2, 2009, 6:00 PM), <http://www.forbes.com/2009/09/02/nfl-pro-football-business-sportsmoney-football-values-09-values.html>.

* *NFL Lockout 2011: The NFL's Revenue Gap Problem*, Blogging the Boys (Feb. 21, 2011, 7:01 AM), <http://www.bloggingtheboys.com/2011/2/21/2004505/nfl-lockout-2011-revenue-gap-problem>.

† *NFL Lockout 2011: The NFL's Revenue Gap Problem*, Blogging the Boys (Feb. 21, 2011, 7:01 AM), <http://www.bloggingtheboys.com/2011/2/21/2004505/nfl-lockout-2011-revenue-gap-problem>.

‡ Clay Moorhead, Note, *Revenue Sharing and the Salary Cap in the NFL: Perfecting the Balance Between NFL Socialism and Unrestrained Free-Trade*, 3 Vand. J. Ent. & Tech. L. 641, 649 (2006).

Luxury box revenue and other high priced tickets are unshared. As mentioned above, there is a large disparity in what teams charge for these expensive seats. Moreover, new stadiums are designed to maximize luxury box revenues. Local (not national) media, concession sales, and parking fees are also unshared. A lot of this revenue depends on the capacity and quality of a team's stadium. Although it would appear that an NFL team located in a large market would have an advantage with regard to unshared revenue, this isn't necessarily the case. Green Bay is by far the smallest market (when ranked by Nielson according to number of TV homes in market), but was 6th in revenue (with \$257) in 2009. However, when ranked by EBITDA (Forbes' version of profit), they were 27th (with \$9.8) million. Comparatively, New York has twice the market size of even second place (Chicago), but both New York teams ranked 30th and 28th in Operating Income (with \$2.1 million and \$7.6 million), and 20th and 19th in revenue (with \$238 million and \$241 million), respectively. Indeed, because many clubs in smaller cities have persuaded local governmental officials to provide them with a variety of stadium subsidies, the 'large market advantage' that may be present in some other sports is far less prevalent in the NFL.*

Part of the reason appears to be that some teams own their stadiums or have favorable lease situations, and others do not. If a team owns its stadium or has a favorable lease agreement, it gets to keep all or most of the unshared revenue it produces. Just as important, if a team's stadium has been designed to maximize the unshared revenue (usually with as many luxury boxes as possible), the club will do even better. Unlike the other North American sports, where unshared local revenues typically benefit clubs located in large markets, this does not seem to be the case to the same degree in the NFL. To illustrate, the Giants' low ranking, despite their market size, is due to the fact that the Giants did not own their stadium, but had to share it with the Jets, and had to split unshared stadium revenue three ways (with the stadium authority). That was one of the primary reasons to build their new stadium.†

On the other side of the equation, consider the Cincinnati Bengals. Paul Brown Stadium (named after owner Mike Brown's father, an NFL legend) was built entirely with public money, and the team does not pay rent, property taxes, or maintenance fees.‡ More to the point, the Bengals keep all the unshared local revenue they earn. Because of this highly favorable lease arrangement, the Bengals, despite being 28th in market size and 24th in revenue, were 5th in Operating Income in 2009§ (and also tells us why Mike Brown can refuse to sell stadium naming

* Even though Green Bay was 6th in revenue, they were still \$163 million shy of first place (Dallas) and comparatively only \$47 million from last place (Detroit). Simply put: there are a couple teams that have the ability to produce both revenue and Operating Income at much, much higher levels than most other teams.

† Moorhead, *supra* at 662; see also *Sports of the Times; Giants Want a Stadium That Says 'Amenities'*, N.Y. Times, Feb. 13, 2005, <http://query.nytimes.com/gst/fullpage.html?res=9D07EFDE153AF930A25751C0A9639C8B63>.

‡ Andrew Zimbalist, *NFL Too Profitable to Risk Losing Such Success to Lockout*, Sports Business Journal, January 31, 2011, at 29. For a more detailed discussion, see Andrew Zimbalist, *Circling the Bases* (2011).

§ *NFL Lockout 2011: The Haves and Have-Nots of the NFL*, Blogging the Boys (Feb. 21, 2011, 6:00 PM), <http://www.bloggingtheboys.com/2011/2/21/2005431/nfl-lockout-2011-the-haves-and-have-nots-of-the-nfl>; see also Kurt Badenhausen, Michael K. Ozanian and Christina Settini, *Recession Tackles NFL Team Values*, Forbes.com

naming rights to a corporate sponsor, much to Jerry Jones' frustration).

This also helps explain why franchises move. The Rams moved from Los Angeles to St. Louis not because of the market size (obviously), but in large part because of the promise of a new stadium that would allow them to do better in terms of unshared revenue. Who cares about the market size if the vast majority of money that come from it (via national television broadcasting deals) is shared equally among all 32 teams?*

That being said, being either a high-revenue team or high-operating income team does not equate to success on the field. Although the salary cap and floor creates parity on the field, it upsets most low-revenue owners by increasing player costs, making them less profitable. Most low-revenue owners therefore clamor for supplemental revenue sharing, because they cannot compete for unshared stadium revenue, largely due to unfavorable stadium situations. To the extent that the disparity between high- and low-revenue teams threatens the parity that has made the NFL so popular, all parties have an interest in a mutually-agreeable change to the current structure. If the low-revenue teams can continue to compete on the field but simply earn smaller profits, then finding an accommodation becomes more problematic. Significant increases in supplemental revenue sharing would neither be necessary to ensure fans' with the level of competitive balance, nor reasonable in light of the widely differential franchise value paid for by recent purchasers of high-revenue clubs.

To combat this growing disparity among non-shared stadium revenue abilities, the NFL created a supplementary revenue sharing system as part of the 2006 CBA. Here's a description of the plan from a 2006 ESPN article: "\$500 million of local team revenue will be put in a pool for the lower-revenue teams in the first four years of the six-year agreement. The incremental revenue-sharing plan, as it is called, will cost high-revenue teams between \$850 million and \$900 million over the six years. The top five revenue teams will pay the most; teams between six through 10 in revenue will pay the second most and 11 through 15 will pay the lowest third of that revenue-sharing pool."† While this system recognized the revenue disparity problem, it has not been the solution the NFL or its players were looking for. It also allows teams like the Bengals, who in 2009 were ranked 24th in revenue, to receive supplemental money from the high-revenue teams—even though the Bengals, because of their favorable stadium lease agreement, remain one of the more profitable NFL teams. It is not surprising that a scheme adopted as a compromise among 32 owners acting largely in their parochial self-interest would be sub-optimal. Those clubs contributing to the pool are primarily concerned with limiting their contribution; those clubs drawing from the pool want no onerous conditions on their fellow owners' largesse. It would require a particularly strong commissioner to impose an optimal scheme that rewarded initiative while accounting for market-based inequalities.

The CBA in place before 2006 calculated the salary cap primarily through league generated revenue; it excluded significant unshared streams (like sponsorships, luxury boxes,

(Sept. 2, 2009, 6:00 PM), <http://www.forbes.com/2009/09/02/nfl-pro-football-business-sportsmoney-football-values-09-values.html>.

* Moorhead, *supra* at 666.

† John Clayton, *Owners Finally Come to Resolution on Revenue Sharing*, *Espn.com* (Mar. 8, 2006) http://sports.espn.go.com/nfl/columns/story?columnist=clayton_john&id=2360296.

etc.). But the players wanted a cut of all the new, unshared revenue that was being generated by new stadiums (and the settlement in 1996 that allowed teams to increase their unshared revenue), and they got that in the 2006: all stadium revenue (including unshared) was now included in the base from which the salary cap was calculated. That is largely why the salary cap jumped 19% from 2005 to 2006. It appears that the NFL's supplemental revenue sharing system hasn't compensated for the spiking salary cap.

A Few NFL Disparity Statistics*

The disparity in the value between NFL teams has reached over \$1 billion: the Cowboys are worth about \$1.8 billion, while the Jacksonville Jaguars are valued at roughly \$ 725 million. The average team is worth about \$1 billion.

The disparity in annual revenue is also growing. In 2009 the Cowboys made \$420 million, while the Lions pulled in \$210 million. The disparity of \$210 million in 2009 is a sharp increase from 2008, when it was \$137 million. Looking back between 2004 and 2008, the disparity only fluctuated between \$130 and \$145 million.

In 2009, only the Dolphins and Lions lost money (\$7.9 million and \$2.2 million, respectively). Nine teams made a profit of less than \$20 million, and two teams (the Cowboys and Redskins) earned over \$100 million. Next in line were the Patriots (\$66.5 million) and Buccaneers (\$56.1 million). The average team earns a profit of about \$33 million.

Potential Compromises

One of us has previously written about how North American sports leagues are structured in an inefficient way, because individual club owners can block initiatives that benefit both sports fans and the league as a whole.[†] In our imperfect world with uncertain information and significant bargaining costs, it would be difficult enough to find common ground between DeMaurice Smith, who is under a statutory duty to fairly represent the interests of all NFL players, and Roger Goodell, who is under a fiduciary duty to fairly represent the interests of the league as a whole. However, the NFL – much like the United Nations, and unlike General Motors or McDonald's Corporation – does not operate to maximize the value to the league as a whole. Rather, any agreement must receive a majority vote of the owners, who generally act in the parochial self-interest of their own clubs. Finding common ground between Smith, Goodell, high-revenue owners like the Dallas Cowboys's Jerry Jones, and low-revenue owners like the Cincinnati Bengals' Mike Brown, is exponentially more difficult. The following discussion analyzes the interests of the various parties and reveals the difficulties of reaching an agreement.

* Maury Brown, *Instead of Player Pay Cuts, NFL Needs More Revenue Sharing*, Forbes.com SportsMoney: News on the Business of Sports (Jan. 17, 2011, 3:26 PM), <http://blogs.forbes.com/sportsmoney/2011/01/17/instead-of-player-pay-cuts-nfl-needs-more-revenue-sharing>; Kurt Badenhausen, Michael K. Ozanian and Christina Settimi, *Recession Tackles NFL Team Values*, Forbes.com (Sept. 2, 2009, 6:00 PM), <http://www.forbes.com/2009/09/02/nfl-pro-football-business-sportsmoney-football-values-09-values.html>.

[†] See Stephen F. Ross and Stefan Szymanski, *Fans of the World, Unite! A (Capitalist) Manifesto for Sports Consumers* (Stanford Univ. Press 2008).

Compromise between NFLPA and high-revenue owners:

Although the high-revenue team owners' position would appear to be that revenue sharing undermines the incentive for low-revenue teams to maximize profits in any way they can, these owners may recognize that the current system may be unsustainable without more money flowing to these low-revenue teams. The best means to narrow the revenue disparity is to build new stadia with favorable lease terms. Low-revenue teams want new stadiums so they can increase unshared profits, but they don't have the money to build. And, the political appetite for publicly funded stadiums has largely disappeared. The league's G-3 fund, which helps finance new stadiums, needs to be expanded. High-revenue teams would prefer that the money to come from the players because after all (in the owners' opinion), the players received too generous a deal in 2006, anyway.

The owners (and perhaps all of them in unison, at least on this particular issue) appear to think that the NFLPA got the best of them in negotiating the 2006 CBA, which included, for the first time, all stadium revenue (even if it was not all shared among the teams) in the "defined gross revenue" that determines the salary floor and cap. In terms of dollar amounts, the 2006 CBA meant an extra \$17 million in player costs per team. (This needs to be parsed, however, between the hike in the salary floor attributable to the expanded definition of revenue in the 2006 CBA, and the amount attributable to real growth in NFL income). As unshared revenue (which historically was not significant) grew – perhaps because individual initiative resulted in individual profits – this translated to nearly \$550 million in unshared annual league revenue that was now part of the pool of money to be shared with players. Even with the supplemental revenue sharing system, the low-revenue owners felt the economic pain more, because of the combination of their comparatively weak local revenue streams, unfavorable stadium situations, and rising player costs (that are directly caused by high-revenue owners' large local revenue streams).

Combined with increased operating costs across the board, as well as the league's desire to replenish the G-3 fund to build new stadiums in Minnesota, San Diego, San Francisco, and possibly Los Angeles, the 2006 CBA model appears to have been relatively unfavorable to management. Local revenue streams for some, if not most, teams have been stagnant, but the player costs continue to rise. On the NFLPA's side, one could argue that player costs are rising simply because of the continued enormous success of teams like the Cowboys, Redskins, and Patriots. If the owners would either increase supplemental revenue sharing, or low-revenue teams engaged in the same entrepreneurial initiative as their high-revenue rivals, then low-revenue teams would not be at such a disadvantage. Essentially, the NFLPA's claim is that the problem is one that should be worked about among the high-revenue and low-revenue owners, without affecting the percentage of revenues that determines the salary floor and salary cap.

This suggests that, in lieu of the sort of work stoppage that NFL fans fear, a deal could be struck between the high-revenue owners and the NFLPA: although it is entirely unlikely that the NFLPA would cede the full \$1 billion the owners have proposed, they could eventually agree to give the owners some additional expense credits for stadium investment (the NFL's G-3 program), which is designed to maximize unshared revenue streams, and thus in the long-run would tend to increase player salaries as this additional money went into the pool of money to be

shared with players. In return, owners might be willing to agree to expanded team rosters (more jobs), less off season workouts (lower risk of injury), expanded healthcare for retired players (beyond five years post-career), and possibly other safety concerns.*

A Possible Compromise between NFLPA and low-revenue owners:

If the NFLPA could deal solely with low-revenue owners (Mike Brown of the Bengals and Ralph Wilson of the Bills, for example), the conversation would likely focus on increased sharing of local revenue streams (luxury box sales, sponsorships, etc.) among all teams as well as an expanded supplementary revenue sharing system, putting money directly into low-revenue teams.

The NFLPA could give up some additional expense credits for operating costs in exchange for significantly increased supplementary revenue sharing to help low-revenue teams. Ostensibly, the low-revenue owners and the NFLPA could agree on increased supplementary revenue sharing even without any concessions by the NFLPA, as it wouldn't even be their money that they would redistribute. Ideally, the NFLPA would want every team to spend the salary cap maximum, as that gives the most money to the players as possible. With this result, the salary cap would keep rising, but increased supplemental revenue sharing could make an ever-rising cap more palatable to low-revenue owners.

Compromise between NFLPA and Commissioner Goodell: best interests of the league

In matters of discipline going to the integrity of the game, sports leagues have recognized since the 1920s that owners were unlikely to police scandals contrary to their own parochial interests, and an independent and strong commissioner was essential. Unfortunately, that same insight has not been applied to labor negotiations. Although Commissioner Roger Goodell is head of the owners' negotiating team, any agreement he reaches with the NFLPA's DeMaurice Smith must be approved by at least 17 owners interested primarily in their own team's self-interest. Still, it is a revealing thought experiment to consider the possible results if Commissioner Goodell was authorized to reach an agreement that he, in his sole discretion, considered to be in the best interests of the league.

If Commissioner Goodell could make an independent decision based on the best interests of the league, a possible compromise would be for the NFLPA to cede some additional expense credits for increased operation costs or stadium construction in exchange for substantial expansion of the supplementary revenue sharing system and increased incentives for individual club entrepreneurship. Indeed, devoting more funds to the NFL's G-3 fund to finance new stadiums is necessary because there is no longer the political will to support publicly funded stadiums. Moreover, building new stadiums increases total league revenue, which would eventually increase the salary cap and benefit players.† Depending on the size of the annual expense credits, the possibility of increased healthcare for retired players and a renewed effort to

* Andrew Brandt, *Key to the NFL CBA: Mitigating Risk*, Forbes.com SportsMoney: News on the Business of Sports (Mar. 7, 2011, 6:01 PM), <http://blogs.forbes.com/sportsmoney/2011/03/07/key-to-the-nfl-cba-mitigating-risk/>.

† Andrew Zimbalist, *NFL Too Profitable to Risk Losing Such Success to Lockout*, Sports Business Journal, January 31, 2011, at 29.

research and prevent injuries, especially concussions, could make this deal palatable for the NFLPA. Healthy players are also in the best interests of the league as a whole. To be sure, this puts the players in the position, not unknown but unusual in labor-management relations, to be partners with the NFL without formally taking an equity stake (through an employee stock ownership plan or other creative devices). However, the alternative to Goodell persuading the players to make concessions because the funds will be invested wisely is for both parties to duke it out, costing each party as well as fans.

Goodell could replace the supplementary revenue sharing program by systematically restructuring the general revenue sharing among owners to include portions of previously unshared local streams of revenue. Designing revenue sharing schemes is always a delicate balance to achieve desired competitive balance among teams, while preserving the incentive for individual club initiative. If a greater portion of unshared stadium revenue went equally to all teams without unduly harming the incentives for owners like Jerry Jones, the growing disparity between low revenue and high revenue teams would slow. The NFL could also adopt a version of the NBA's revenue sharing scheme, conditioning supplementary revenue sharing on low-revenue teams meeting certain benchmarks for their own local promotion of their product.

It is unclear whether Commissioner Goodell has the independence to negotiate in the best interests of the league as a whole. If that were true, a deal likely would have been struck months ago that systemically restructured the revenue sharing model among owners. Instead the high-revenue owners, because it is in their best interests, continued to successfully lobby for the league to negotiate additional expense credits from the NFLPA instead of increasing their own contribution to the supplemental revenue sharing system, while low-revenue owners demand more revenue sharing with fewer conditions than might be agreeable as part of a genuine "partnership" with the NFLPA. The self-interested owners' influence may inhibit the Commissioner's office from reaching an agreement on behalf of the league as a whole.

The Bottom Line

As long as there continues to be unshared streams of revenue, owners will seek to maximize that unshared revenue as much as possible. Despite the fact that over 70 percent of league revenue is shared, several NFL team owners nonetheless managed to maximize their unshared streams very successfully. And because the salary cap is essentially tied to the unshared revenue, maximizing unshared revenue (which only a relative few NFL teams can do on such an impressive level) means rising player costs for every team. While increased operation costs may have been the final straw, inequality in unshared local revenue streams and unfavorable stadium situations remain largely responsible for the sharply growing disparity between high-revenue and low-revenue teams and ultimately, for pushing the NFL to the brink of a work stoppage.