

Salary Cap Crunch

Written by Eric Daoust

Thursday, 10 January 2013 11:02 - Last Updated Thursday, 10 January 2013 11:14



Earl Sleek, NHL Fanhouse

Over the last few months in the NHL negotiations, everyone accused each other of not being willing to negotiate in good faith. Several "final offers" were made, podiums were set up, podiums were torn down, Bill Daly died on a hill and the announcement of end of the lockout was made when most fans were sound asleep. Now the new collective bargaining agreement is in the process of being ratified and betting odds have already been set for the Stanley Cup winner. The Dobberhockey forums have been as active as ever in recent days.

For most hockey fans it is as simple as returning to their regular routine that includes following the sport as their main hobby. However, for those who participate in fantasy leagues with finances there are major changes coming to the NHL that will have a significant impact on many

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players.

Despite a wish initially to have existing player salaries rolled back, all contracts remain the same. This was an important win for the players who felt betrayed by owners who agree to a dollar figure and then ask for a chunk of it back. The existing player contracts work for a setting where teams can spend up to \$70.2 million which is the cap ceiling for 2011-12. In addition there were many contract extensions signed this summer prior to the expiration of the old CBA that begin in the 2013-14 season which under the former system would have had a salary cap ceiling well above this year's figure.

Over the last few years we have seen good consistency in players being paid according to their level of production. Obviously there are a lot of exceptions but most players sign for a pay rate that is close to what most people would consider market value. This helps make fantasy hockey budget management easier. Unfortunately, this consistency is going to be lost in the coming years.

The implications of maintaining existing player salaries are massive because the owners and union agreed to a salary cap of \$64.3 million for 2013-14. With so many contracts already signed that were designed for a system having a salary cap of over \$70 and rising, there are going to be fewer dollars available for upcoming free agents. Thus, most of the players signed to contracts under the old system become overpaid in the post-lockout world. Meanwhile the upcoming free agents are going to have to settle for less money than they would have received a year ago.

There will be compliance buy-outs this summer and next summer which will help take some unwanted dollars off of teams' payrolls. These buy-outs do not count against the cap so they will help free up some space for upcoming free agents but they will not fully cover a \$6-million drop in salary cap for all 30 NHL teams. Thus, some players will have to make financial sacrifices.

In fantasy hockey, a lot of these players will become cap bargains that you can use to help gain an advantage on your opponents. Expect these new contracts to be short so that the players

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can take advantage of the cap eventually rising once again to put their salaries more in line with their peers.

Some players may opt to sign in non-traditional hockey markets – those who typically hover around the cap floor – instead of taking massive pay cuts to fit within the budgets of the more financially-competitive teams. In turn, this will allow for new cap bargain players to get a better opportunity in larger markets as those teams find cheap labor to fill their final roster positions.



Leagues that use player salaries instead of cap hits will be affected by new rules on the year-to-year distribution of dollars over the life of a contract. Now, the variability from year to year cannot exceed 35 percent and the minimum salary during the contract cannot be less than 50 percent of the max salary in the same contract. Under the old system, Shea Weber signed a new contract that pays him \$14 million per year during the first four years and the salary gradually drops until it bottoms out at \$1 million per year during the final three years. If this contract was signed today Weber's salary would not be able to drop below \$7 million in any given year.

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In the past, when a player signed a long-term front-loaded contract he essentially became a liability in a salary league. The massive dollar amounts in the early years are tough to absorb while the cheaper final years of those contracts are so far into the future that you will either never see this benefit or the player will retire before it gets to that point. The new rules essentially make this type of contract irrelevant because the team will not gain the cap relief that comes with the cheap back-half of the deal.

The benefit of having less variation in salary from one year to the next gives owners greater stability in managing their assets. In the past, the more extreme salary variations and massive signing bonuses could turn a very good fantasy hockey player into a major financial albatross. Take Tyler Myers, a promising young defenseman and popular fantasy hockey player, as an example. His new contract started this year and has a \$10-million signing bonus included in a total salary of \$12 million.

Even though his salary drops to a more manageable \$6 million next year it is possible that some teams simply cannot afford to have him on their roster currently and may be forced to try to trade him. Meanwhile, the same contract will see Myers earn \$3 million in 2018-19. Such variation will not exist in contracts signed under the new CBA. Instead, salaries will mirror the player's cap hit more closely and the lack of massive peaks and valleys will make them easier to keep on the roster over the years.

Obviously, salaries will stabilize over time as most of the contracts signed in the old system expire and are replaced by new ones. This article merely covers the early years of the new CBA. Fans are excited for the return of the NHL, but for fantasy hockey people it is important to understand the new environment and how the changes affect everyone. Above all else, best of luck during the new season and enjoy the hockey!

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