

**The Report of the Independent  
Members of the Commissioner's Blue  
Ribbon Panel on Baseball Economics  
July 2000**

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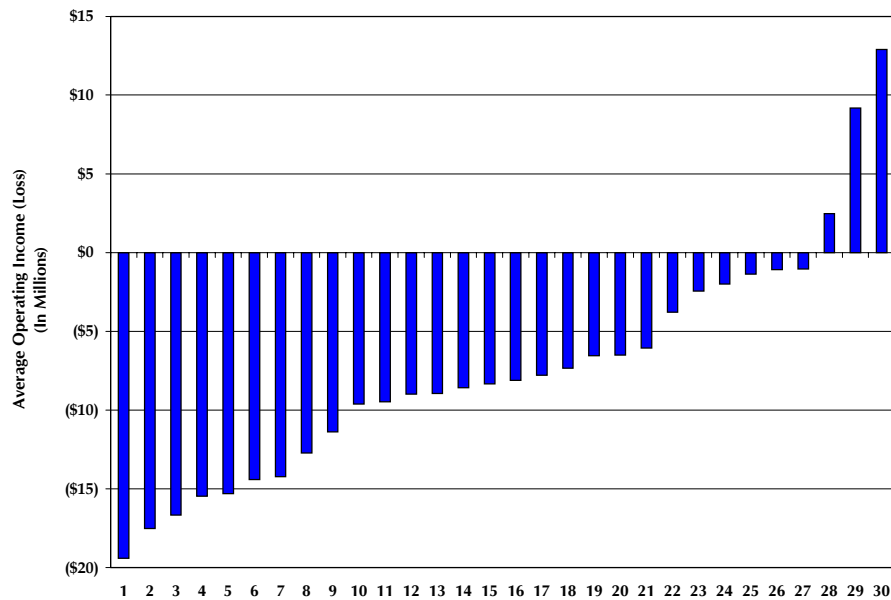
**Table 1: Division Series (“DS”) and League Championship Series (“LCS”), and World Series Games Won by Payroll Quartile, 1995-1999**

	Quartile I			Quartile II			Quartile III			Quartile IV			Total Games Won
	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	
1995	\$46.4	19	6	\$36.9	6	0	\$31.4	0	0	\$17.8	0	0	31
1996	50.0	19	6	37.9	7	0	28.1	0	0	18.2	0	0	32
1997	57.4	26	7	45.3	1	0	35.4	0	0	21.5	0	0	34
1998	64.0	18	4	50.1	8	0	35.4	0	0	18.0	0	0	30
1999	78.8	25	4	55.7	2	0	41.0	0	0	20.2	0	0	31
Total		107	27		24	0		0	0		0	0	158

Note: All dollar figures are in millions.

From 1995 through 1999, a total of 158 postseason games were played. For analytical purposes, it is useful to divide the clubs into “quartiles” by ranking them (based on payroll) from high to low and separating the clubs into four equal size groups. For example in 1995, the seven clubs with the highest payrolls would constitute “Quartile I.”<sup>1</sup> During this five-year period, *no club* from payroll Quartiles III or IV won a DS or LCS game, and *no club* from payroll Quartiles II, III or IV won a World Series game.

**Chart 1: Average Annual Operating Income for All Clubs, 1995-1999**



From 1995 through 1999, only three clubs achieved profitability: Cleveland, Colorado and the New York Yankees.

<sup>1</sup> Prior to the expansion in 1998, each quartile consisted of seven clubs. After the 1998 expansion, Quartiles I and III have eight clubs and Quartiles II and IV have seven clubs.

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## I. Summary of Findings, Conclusions and Recommendations

### I.1. Overall Conclusions

The Commissioner's Blue Ribbon Panel on Baseball Economics, representing the interests of baseball fans, was formed to study whether revenue disparities among clubs are seriously damaging competitive balance, and, if so, to recommend structural reforms to ameliorate the problem. After 18 months of extensive investigation, we conclude:

- a. *Large and growing revenue disparities exist* and are causing problems of chronic competitive imbalance.
- b. *These problems have become substantially worse* during the five complete seasons since the strike-shortened season of 1994, and seem likely to remain severe unless Major League Baseball ("MLB") undertakes remedial actions proportional to the problem.
- c. The limited revenue sharing and payroll tax that were approved as part of MLB's 1996 Collective Bargaining Agreement with the Major League Baseball Players Association ("MLBPA") *have produced neither the intended moderating of payroll disparities nor improved competitive balance*. Some low-revenue clubs, believing the amount of their proceeds from revenue sharing insufficient to enable them to become competitive, used those proceeds to become modestly profitable.
- d. In a majority of MLB markets, *the cost to clubs of trying to be competitive is causing escalation of ticket and concession prices*, jeopardizing MLB's traditional position as the affordable family spectator sport.

## I.2. Revenue Disparities

Measured simply in terms of gross revenues, which almost doubled during the five complete seasons (1995-1999) since 1994, MLB is prospering. But that simple measurement is a highly inadequate gauge of MLB's economic health. Because of anachronistic aspects of MLB's economic arrangements, the prosperity of some clubs is having perverse effects that pose a threat to the game's long-term vitality. Here are a few of the facts about revenue imbalances:

- a. What are called local revenues (including gate receipts, local television, radio and cable rights fees, ballpark concessions, advertising and publications, parking, suite rentals, postseason and spring training) are the largest single component of most clubs' annual revenues. The ratio between the highest and lowest club's local revenues has more than doubled in just five years, from 5.5:1 in 1995 to 14.7:1 in 1999. The average ratio between the three clubs with the highest local revenue and the three with the lowest has risen from 4.1:1 to 7:1.
- b. Since 1995, local revenues have increased an average of \$54 million for clubs in revenue Quartile I (the highest-revenue clubs), but local revenues have increased an average of only \$8 million for clubs in Quartile IV.<sup>2</sup>
- c. In 1999, one club's local revenues exceeded by approximately \$11 million the combined local revenues of six other clubs.
- d. Although Central Fund revenues, which historically have been distributed evenly among all clubs, have more than doubled since 1995, they now are a smaller percentage of most clubs' revenue than in 1995.
- e. Between 1995 and 1999, clubs in revenue Quartile I increased their total annual revenues (which includes local revenue, Central Fund revenue and revenue sharing) by an average of \$55 million, while the total annual revenues of Quartile IV clubs increased only by an average \$32 million.
- f. Between 1995 and 1999, the difference in total revenue between the average club in Quartile I and the average club in Quartile IV soared from \$48 million to \$71 million.
- g. In 1999, the average total revenue of Quartile I clubs was 32 percent larger than the average revenue of Quartile II clubs, 73 percent larger than the average of Quartile III clubs and 118 percent larger than the average of Quartile IV clubs.

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<sup>2</sup> As noted in footnote 1, the clubs are divided into quartiles by ranking them from high to low (in this case based on local revenue) and separating the clubs into four groups. Elsewhere clubs are divided into quartiles based on payroll or total revenue.



- h. Between 1995 and 1999, the difference between the highest and lowest club's total revenues rose from \$74 million to \$129 million.
- i. In 1999, the total revenue of the highest revenue club exceeded by \$14 million the combined revenues of the three lowest revenue clubs.
- j. In 1999, the sum of the revenues of the top three revenue clubs exceeded the *combined* revenues of *all* the clubs in Quartile IV by \$33 million.

### **I.3. Payroll Disparities**

Not surprisingly, widening revenue disparities have been accompanied by widening payroll disparities:<sup>3</sup>

- a. In 1999, one club had a payroll approximately equal to the sum of the payrolls of the lowest five payroll clubs.
- b. In 1999, the combined payrolls of the highest two payroll clubs exceeded the *combined* payrolls of *all* clubs in payroll Quartile IV by \$30 million.
- c. In 2000, the salary of the game's highest paid player is equal to the entire Opening Day player payroll of one club (Minnesota).
- d. In 2000, three clubs (Minnesota, Florida, Kansas City) had Opening Day player payrolls that were less than the combined salaries of two players of one club. The seven clubs that comprise payroll Quartile IV each had a player payroll that was less than the combined salaries of the Yankees' or Dodgers' highest paid three players.
- e. Between 1995 and 1999, the average payroll of clubs in the top revenue quartile increased \$28 million, while the average payroll of clubs in the bottom revenue quartile increased only \$4 million.
- f. In 1995, revenue Quartile I clubs spent approximately twice as much on players as revenue Quartile IV clubs spent. By 1999, Quartile I clubs' spending was approximately three times that of Quartile IV clubs.
- g. Between 1995 and 1999, the total of all clubs' payrolls increased 61 percent, but whereas the average 1999 payroll of clubs in revenue Quartile I was \$28 million larger than in 1995, the average 1999 payroll of clubs in revenue Quartile IV was only \$4 million larger.

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<sup>3</sup> The analysis in the text is based on 25-man roster payrolls.

- h. The average payroll of clubs in payroll Quartile I was \$32 million (70 percent) larger in 1999 than in 1995, but the average payroll in Quartile IV increased only \$2 million (13 percent).
- i. In 1995, payroll Quartile I clubs spent two and one half times more on payrolls than the Quartile IV clubs. By 1999, Quartile I clubs spent four times more.
- j. Between 1995 and 1999, the difference between the highest and lowest club's payrolls increased from \$45 million to \$77 million and the difference between the highest club's payroll and the average of all clubs' payrolls increased from \$22 million to \$43 million.

#### **I.4. Payroll and Competitiveness**

Not surprisingly, there is a strong correlation between high payrolls and success on the field. Although a high payroll is not always sufficient to produce a club capable of reaching postseason play—there are instances of competitive failures by high payroll clubs—a high payroll has become an increasingly necessary ingredient of on-field success:

- a. From 1995 through 1999, every World Series winner was from payroll Quartile I and no club outside payroll Quartile I won even a single game in the Series. Indeed, the winner each year was among the five clubs with the largest payrolls.
- b. With the exception of 1998, even the World Series loser has been from payroll Quartile I. (The 1998 loser, San Diego, was from Quartile II and lost in four games.)
- c. No team in payroll Quartiles III or IV won any of the 158 playoff games from 1995 through 1999.

## I.5. Other Findings and Conclusions

Sports leagues do not function as free markets. If they did, the clubs would be clustered in a few large markets. Rather, sports leagues are blends of cooperation and competition—cooperation for the sake of producing satisfactory competitiveness.

MLB has enjoyed a long-standing exemption from anti-trust laws that govern other industries. MLB and other professional sports leagues operate under rules which have withstood legal scrutiny. These rules are intended to protect the public interest by enabling franchises in communities of varying sizes and with different market conditions to compete against each other with a reasonable opportunity to succeed.

The goal of a well-designed league is to produce adequate competitive balance. By this standard, MLB is not now well-designed.

In the context of baseball, proper competitive balance should be understood to exist when there are no clubs chronically weak because of MLB's structural features. Proper competitive balance will not exist until every well-run club has a *regularly recurring reasonable hope of reaching postseason play*.

Granted, competitive balance as here defined has been an elusive goal, when it has been a goal at all, throughout MLB's history. However, the fact that baseball's structural flaws are historic is not an argument for continuing acceptance of them. This is particularly so when they are producing revenue disparities with unhealthy consequences for competitive balance.

What has made baseball's recent seasons disturbing, and what makes its current economic structure untenable in the long run, is that, year after year, too many clubs know in spring training that they have no realistic prospect of reaching postseason play. Too many clubs in low-revenue markets can only expect to compete for postseason berths if ownership is willing to incur staggering operating losses to subsidize a competitive player payroll.

Furthermore, baseball fans are not, and should not be asked to be, as stoical about competitive imbalance as they have been in the past. Competition for the sports entertainment dollar, and for the sport fan's attention, is increasingly intense. There was a time when baseball had the almost undivided attention of sports fans from April to October. Now, however, there are just six weeks between the last National Basketball Association ("NBA") championship game and the first National Football League ("NFL") preseason game. MLB must improve its competitive balance if it is to remain competitive with other sports attractions.

Unfortunately, one of MLB's strengths—its long tradition, with roots running deep into 19th century America—currently has a debilitating cost. Baseball operates under an anachronistic economic model, unlike the NFL and NBA. Forty years ago, those leagues were soft wax that could be given shapes appropriate to the exigencies of the modern market for professional sports. But forty years ago, MLB was operating, as it still is, under many fundamental arrangements that even then were more than sixty years old. These arrangements long predate the advent of, to cite just one example, broadcasting.

The NFL and NBA have thrived with structures that allow franchises in widely different kinds of markets (including small media markets such as Green Bay and San Antonio) to succeed. To ensure baseball's broad and enduring popularity, and to guarantee its future growth, MLB needs a structure under which clubs in smaller markets can have regularly recurring chances to contend for championships.

Solutions to baseball's competitive imbalance should flow from the following postulates:

- a. Baseball should vigorously develop new ways to increase revenues, but that alone will not solve baseball's problem of competitive imbalance.
- b. The heart of the problem is the large and growing disparity of what are called "local" revenues.
- c. Although most of baseball's revenues are these local revenues, *none* of the revenues really result exclusively from the sale of a local product. It takes two clubs to have a game and 30 clubs to have today's divisional races. All clubs are selling—indeed, all are elements of—a single product, MLB.
- d. Therefore, to reform baseball's structure to produce reasonable competitive balance, substantially more of the industry's revenues should be treated as just that—the *industry's* revenues—and should be distributed in ways that cause all clubs to operate within a much narrower band of unequal economic resources. The band should be broad enough to allow baseball entrepreneurship to be rewarded, but narrow enough that intractable differences between local markets do not produce a baseball underclass of chronically uncompetitive clubs.
- e. The fundamental objective of reform should be an industry in which each team's success on the field, over time, will be determined by the skill of the players and the baseball acumen of the men and women who conduct the team's business—scouting, player development, baseball management, marketing, etc.

- f. Any reform of MLB should protect and balance the interests of players, clubs and fans. These three constituencies should cooperate to create an economic structure that promotes a reasonable rate of growth of player salaries, produces competitive balance and preserves baseball as affordable family entertainment.

Our mission has been to consider the relevant economic data, indicators and variables. We have concluded that a majority of MLB clubs today are not reasonably competitive, that the problem of competitive balance is a product of MLB's economic structure, and that this structure is adversely affecting the ability of most clubs to increase revenues and achieve operating stability. Some of our recommendations cannot be implemented unilaterally by MLB and its member clubs. The concurrence of the MLBPA is necessary, and we encourage the MLBPA to collaborate with the implementation of our recommendations.

Our recommendations will be successful if MLB quickly achieves a durable competitive balance. An indicator of such balance would be a ratio of approximately 2:1 between the average payroll of the payroll Quartile I clubs to the average payroll of the payroll Quartile IV clubs. Such a ratio existed in the 1980s, a period of substantial competitive balance. In fact, during a number of years in that decade the ratio was less than 2:1.

In recent years the NFL, which enjoys substantial competitive balance, has had a ratio of the average of the highest seven payroll teams to the average of the lowest seven of less than 1.5:1. The comparable figure for the NBA during the last three years has been less than 1.75:1. MLB's current ratio, using either 25-man roster payrolls or 40-man roster luxury tax payrolls, is in excess of 3.5:1.<sup>4</sup>

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<sup>4</sup> See *infra* page 59 for a description of luxury tax payrolls.

## **I.6. Recommendations**

The recommendations are as follows:

- a. **Revenue Sharing**—*MLB should share at least 40 percent, and perhaps as much as 50 percent, of all member clubs' local revenue, less local ballpark expenses as uniformly defined.*

The limited revenue sharing enacted in recent years has failed to promote competitive balance, as intended. The modest amount of revenue that has been shared in recent years should be increased substantially in recognition of the indispensable role played by the visiting team in generating what historically but misleadingly has been referred to as “local revenue.”

- b. **Competitive Balance Tax**—*MLB should levy a 50 percent competitive balance tax on club payrolls that are above a fixed threshold of \$84 million and all clubs should be encouraged to have a minimum payroll of \$40 million.*<sup>5</sup>

The recommended “fixed threshold” is intended to refine the “luxury tax” adopted in 1996 and to raise the tax rate to promote compliance. We also recommend specific measures to encourage low payroll clubs to spend more on player payroll with the intent that the combination of these measures moves all MLB franchises into a payroll range that encourages competitive balance. The goal would be to constrain club payrolls that are very high and simultaneously raise club payrolls that are very low. The impact of these mechanisms, assuming no taxes were collected (probably an unrealistic assumption) and all clubs complied with the minimum payroll, would be that all clubs’ payrolls would be in a zone bounded on the high side by \$84 million, and bounded on the low side by \$40 million, thus nearly reestablishing the 2:1 payroll ratio between the highest and lowest payroll clubs. In the event that our combined recommendations prove inadequate to reestablish this ratio, further adjustments should be made.

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<sup>5</sup> The payroll figures utilized in this recommendation are based on the luxury tax payrolls calculated pursuant to the rules set forth in the current Basic Agreement with the MLBPA. These payroll figures are higher than the 25-man roster payrolls used elsewhere in this document because they include the cost of salaries paid to all 40 players under Major League contracts and the cost of benefits, the most significant of which are the pension and health costs associated with the Major League Baseball Benefit Plan.

- c. **Central Fund Distributions**—*MLB should use unequal distribution of new Central Fund revenues to improve competitive balance, creating a “Commissioner’s Pool” that is allocated to assist low-revenue clubs in improving their competitiveness and in meeting the minimum payroll obligation of \$40 million.*

MLB, in January 2000, granted the Commissioner new powers to distribute new Central Fund revenues in unequal amounts. The Commissioner’s exercise of this power should be focused on “incremental” Central Fund revenues, beyond the \$13 million per club distributed in 1999. The Commissioner should distribute new Central Fund revenues in a way that addresses the core problem of competitive balance: widely disparate local revenues.

Specifically, given the current level of local revenue disparity, a \$40 million minimum payroll would sentence a number of clubs to significant and persistent unprofitability. The Commissioner should use the mechanism of disproportionate allocation to address this problem, to encourage revenue enhancing activities such as investments in new ballparks and to reward low-revenue clubs for developing young talent. To encourage compliance with the minimum payroll obligation, the Commissioner should declare any club below the \$40 million minimum ineligible for an enhanced distribution.

- d. **Competitive Balance Draft**—*Major League Baseball should conduct an annual “Competitive Balance Draft” of players in which the weakest eight clubs would have a unique opportunity to select non-40-man roster players from the organizations of the eight clubs that qualified for the playoffs.*

The recommendation is intended to promote long-term competitive balance by discouraging high revenue franchises from stockpiling talent in their farm systems that is unavailable to low-revenue franchises. The “Competitive Balance Draft” would distribute player talent more equally among all MLB clubs, but the ability to “protect” the 40-man roster would reward clubs for good baseball management and protect fans in each local community from having an established favorite player drafted by another team.

- e. **Rule 4 Draft**—*Major League Baseball should implement reforms in the Rule 4 draft.*

Among the reforms would be inclusion of international players, elimination of compensation picks, increased opportunity for low-revenue clubs to sign top prospects, allocation of a disproportionate number of picks to chronically uncompetitive clubs, and allowing the trading of draft picks.

- f. **Franchise Relocations**—*Major League Baseball should utilize strategic franchise relocations to address the competitive issues facing the game.*

Franchise relocation should be an available tool to address the competitive issues facing the game. Clubs that have little likelihood of securing a new ballpark or undertaking other revenue enhancing activities should have the option of relocation if better markets can be identified.



## II. The Economic Condition of the Game

### II.1. Overview

Despite impressive industry-wide revenue growth over the past five years, MLB has an outdated economic structure that has created an unacceptable level of revenue disparity and competitive imbalance over the same period. The growing gap between the “have” and the “have not” clubs—which is to say the minority that have a realistic chance of succeeding in postseason play and the majority of clubs that have poor prospects of reaching the postseason—is a serious and imminent threat to the popularity, health, stability and growth of the game.

Players appear to share this view. In a survey of MLB players published in the May 2, 2000 edition of *Baseball Weekly*, lack of competitive balance was cited as the biggest problem facing the game today. A vast majority of players surveyed responded that it was “very important” that small market teams have the same chance of reaching the World Series as large market teams.

The introduction of limited revenue-sharing and a “luxury tax” on payrolls for a trial period under the 1996 Collective Bargaining Agreement (known as the “Basic Agreement”) apparently did not create any significant “drag” on player salaries and has not significantly enhanced competitive balance. In fact, a number of low-revenue clubs, realizing that they had no realistic chance to compete for the postseason, opted instead for marginal profitability from revenue sharing proceeds and did not increase their player payrolls. This grim fact of modern baseball life has frustrated fans in low-revenue markets.

Baseball’s flawed economic structure also has contributed to a surge in ticket and concession prices, a trend that threatens to compromise baseball’s traditional role as the “national pastime” and its important niche as affordable family entertainment in the professional sports marketplace. A May 15, 2000 cover story in *Sports Illustrated* about the skyrocketing cost of tickets to games in the NFL, NBA, NHL and MLB, noted: “Even major league baseball, which prides itself on being the least expensive of the four big sports, has raised its average ticket price 92.7 percent since 1991, from \$8.64 to \$16.65. Prices have soared 11.6 percent this season alone, and the best seats have risen at a pace that would make a day-trader blanch.”

The combination of competitive imbalance and rising prices eventually could alienate MLB’s core fan base and make the development of new generations of fans problematic, even as the global market for baseball expands and golden opportunities abound to make the game more popular and prosperous.

In recent years, there has been a rapidly accelerating disparity in revenues and, consequently, payrolls between clubs in high- and low-revenue markets. There also has been a stronger correlation between club revenues/payrolls and on-field competitiveness in the years since the issue of competitive balance was studied by the Joint Economic Study Committee which issued its report in 1992.<sup>6</sup> The inescapable conclusion is that major structural problems exist in the economics of professional baseball. If these flaws are not addressed by MLB promptly, decisively, and ultimately in conjunction with the MLBPA, the future of the game as we have known it will be imperiled.

A reasonably level playing field, on which clubs representing markets that are quite diverse geographically, demographically and economically can compete with at least periodic opportunities for success, is fundamental to MLB's continued growth and popular appeal. Yet, from 1995 through 1999, a total of 158 MLB postseason games were played. During this period, no club whose payroll fell in the lower half of the industry won even a single postseason game. Only one has even qualified for the postseason.

MLB is now essentially divided into three groups of unequal size: 1) clubs that expect to perform well in the postseason; 2) clubs that hope for an occasional "dream season" to reach the postseason; and 3) clubs that know going to spring training that they will not make the playoffs.

Also distressing from an ownership standpoint are several other facts that are of less concern to fans: 1) only three MLB clubs have operated profitably over the past five years, despite the industry's revenue growth; 2) club debt nearly quadrupled over seven years, from \$604 million in 1993 to \$2.08 billion in 1999; and 3) appreciation in MLB franchise values has not matched that in other major professional sports leagues.

In short, it should be apparent that the time for tinkering with MLB's existing, flawed economic structure has passed and that sweeping changes in the game's economic landscape are necessary. What is required is a corrective course of action to: 1) implement reforms on matters that are not subject to collective bargaining and that can be imposed unilaterally by the Commissioner and the 30 member clubs in the best interests of the game and its fans; and 2) engage the MLBPA in cooperative and collaborative discussions, as appropriate within the MLBPA's collective bargaining rights, to develop and implement long-term structural changes, strategies and joint marketing initiatives to make the game more popular and prosperous, nationally and internationally.

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<sup>6</sup> The Joint Economic Study Committee was established by the 1990 Basic Agreement. The Joint Committee was composed of representatives of MLB, the MLBPA and outside experts.

## II.2. Basic Assumptions

This report assumes that, year in and year out, player salaries and other costs of operating an MLB franchise ultimately will be borne by the fans of the game, and that the long-term interests of the fans are paramount. We also begin with the assumption that it is clearly in the best interests of MLB and its fans to have franchises located in viable markets throughout North America rather than concentrated in a few major markets.

This report also assumes that a reasonable degree of competitive balance is an essential foundation for the continued popularity and growth of the game, and that mechanisms must be in place to ensure long-term competitive balance despite the inevitable inequalities in size, local market conditions and demographics of the communities in which MLB franchises are located. We have adopted the standard of competitiveness held by most North American fans:

*A well-managed club that demonstrates baseball acumen should allow its fans a reasonable hope that their club will be able to play and win in the postseason.*

This standard is not arbitrary. It matches the views of most fans of baseball and other major professional sports. One of baseball's oldest and cherished notions is that *hope springs eternal*, and that every club is a contender at least in spring training. If a club's season ended in futility, the fans' rallying cry was always, "Wait till next year," because a new season always brought renewed hope. The realization that fans may now feel defeated before the first game in a *majority* of MLB communities is a cause for grave concern.



### III. Data and Analysis

Preparation of this report required an extensive analysis of data provided by MLB for 1995 through 1999 about each club's regular season and postseason won-loss record, ticket and concession prices, local revenues, player payroll, revenue sharing payments or receipts, profits and losses.

Because many of the data and interpretations in this section rest upon summary statistics such as quartile analysis, some may question whether important differences among clubs are obscured. Therefore, detailed information about each team for the 1995 through 1999 seasons is included in Section VII, Appendix III.

#### III.1. Industry Revenues

The years following the 1994-1995 players' strike have seen substantially increased revenue to the industry. The average revenue of clubs in 1999 approached \$100 million.<sup>7</sup> Industry revenues have doubled during the past five years, as shown by the following table:

**Table 2: Industry Revenues**

	1995	1996	1997	1998	1999
Revenue	\$1,384,985,100	\$1,775,166,374	\$2,067,222,496	\$2,478,851,353	\$2,786,874,001
% Increase		28.2%	16.5%	19.9%	12.4%

Revenue to clubs comes primarily from three sources:<sup>8</sup> 1) *so-called local revenues* include ticket sales, local television, radio and cable rights, ballpark concessions, parking, and team sponsorships; 2) *Central Fund revenues* are generated by industry-wide contracts, such as national television contracts and licensing arrangements, and historically have been distributed evenly to all clubs; and 3) *revenue sharing*, introduced in 1996, transfers locally generated money from high-revenue clubs to low-revenue clubs.

Revenues, in all likelihood, will continue to grow during the next decade as new ballparks are opened. New ballparks have opened this season in San Francisco, Houston and Detroit, and others are expected to open in 2001 in Milwaukee and Pittsburgh, and soon in San Diego and Cincinnati. Plans are moving forward for new ballparks in other communities in the future.

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<sup>7</sup> See Table 28: Total Revenue by Club, 1995-1999, on page 82.

<sup>8</sup> For a more complete definition see *infra* page 59.

The new generation of ballparks that began with the 1992 opening of Oriole Park at Camden Yards in Baltimore includes design and programming features and modern amenities that have proved to be enormously popular with the public. These ballparks have dramatically increased the attendance and revenues of the clubs that play in them. In addition to Baltimore, the franchises with new ballparks that opened in the 1990s include Arizona, Atlanta, Chicago White Sox, Cleveland, Colorado, Seattle and Texas. St. Louis and Anaheim undertook major renovations that transformed dual-purpose stadiums (football and baseball) into baseball-oriented facilities. New ballpark construction and renovation has made a significant contribution to revenue growth in the second half of the past decade.

In fact, the construction or renovation of facilities to add modern amenities has been effective in increasing the revenue – and therefore the player payroll and competitiveness – of some clubs. In many cases, the ballparks themselves have become attractions, dramatically increasing attendance and revenues and providing the club the financial resources to field teams with payrolls high enough to have a chance to be competitive.

It is reasonable to expect that new ballparks will continue to fuel industry revenue growth for the foreseeable future, and this is a positive trend for the industry. However, revenue growth alone does not provide a long-term solution for the structural flaws in MLB's economic system. Eventually, most clubs will have attractive, baseball-oriented facilities with modern amenities, and then the revenue/payroll disparities that breed competitive imbalance will be magnified because the clubs in large media markets have revenue opportunities from new ballparks that are greater than those of their counterparts in smaller markets. They can command more for naming rights, ballpark signage, team sponsorships, etc. They can charge more for tickets, sell more suites and club seats than their small market competitors, as well as receive substantially more for local television and radio rights. The level of public investment in new ballparks also varies dramatically from community to community, which means that some clubs need to devote much more of their newly generated revenue to private financing and debt service than others.

New ballparks are vitally important for expanding the game's prosperity. Baseball is best enjoyed in intimate, charming venues that become attractions themselves, regardless of whether the home team is winning or losing. However, they are not in and of themselves the answer to solving the competitive balance and economic problems that plague MLB.

### III.2. Local Revenues

The following table shows the growth in what has traditionally been called local revenue during the past five years. Local revenue is the single fastest growing component of industry revenues.

**Table 3: Local Revenue Growth, 1995-1999**

	1995	1996	1997	1998	1999
Local Revenue	\$1,174,962,112	\$1,387,730,133	\$1,594,272,561	\$1,946,065,708	\$2,197,319,000
% Increase		18.1%	14.9%	22.1%	12.9%

Local revenue grew 87 percent from 1995 to 1999, adding some one billion dollars (or roughly \$200 million each year) to the industry's total revenues. From 1996 through 1999, local revenue constituted approximately 79 percent of total industry revenue.<sup>9</sup>

In 1999, the range of local revenues was enormous, from \$12 million for Montreal to \$176 million for the New York Yankees.<sup>10</sup> This begs the obvious question: How can a club like Montreal expect to compete with the New York Mets, whose local revenues are ten times greater? The inescapable answer is: They cannot, even with a productive scouting and player development system and sound baseball management. Several low-revenue clubs in the 1990s have tried to remain competitive on the field with a strategy of devoting their modest resources to scouting and player development and fielding teams of young, talented players who likely would have had more minor-league seasoning with higher-revenue, higher-payroll clubs. The theory under which these lower-revenue clubs have operated is that their fans would appreciate seeing young, aggressive, "hungry and hustling" teams and that they would be able to retain a nucleus of these young stars long enough to contend periodically for the postseason. Unfortunately, doing so has become increasingly problematic, and fans in those markets have become progressively frustrated, disillusioned and resigned to also-ran status as a seemingly endless succession of their home-grown talent has moved on, via free agency or financially motivated trades, to help high-revenue, high-payroll clubs to championships.

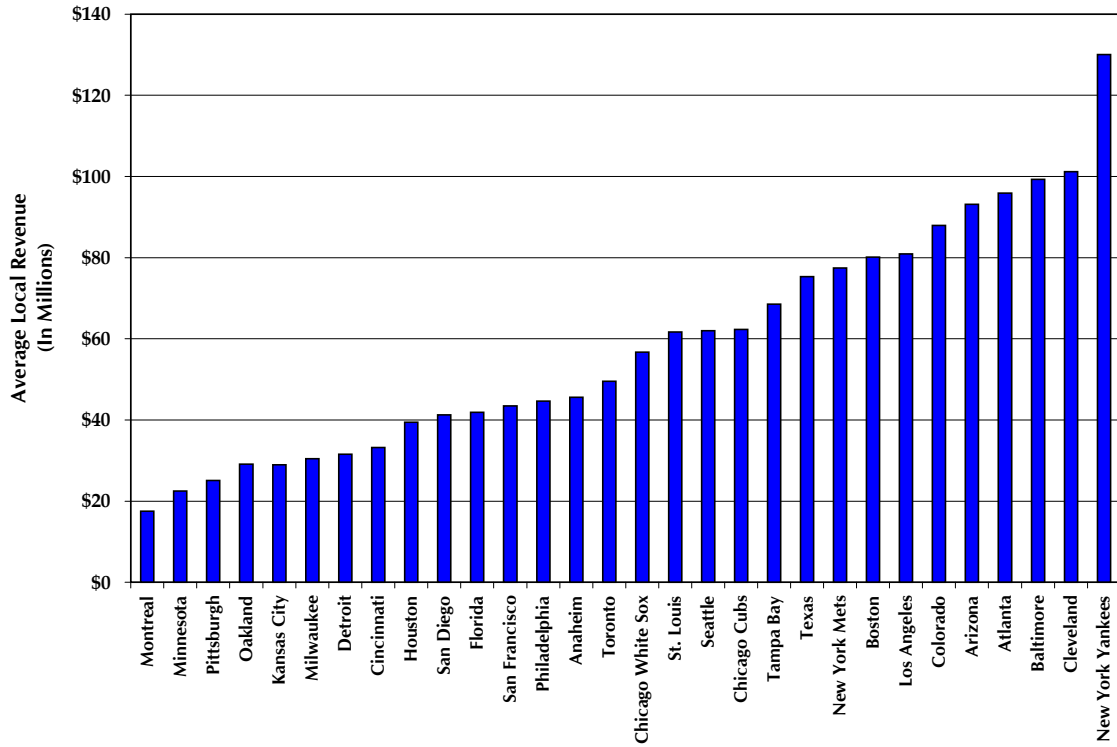
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<sup>9</sup> In 1995, during a strike-shortened season, local revenues comprised approximately 84 percent of industry revenues.

<sup>10</sup> For a complete list of club local revenues, see Table 27: Local Revenue by Club, 1995-1999, on page 81.

The graphic depiction of the problem illustrates just how steep a mountain the low-revenue clubs have to climb. The following chart shows the average local revenues received by all MLB clubs during the past five years.

**Chart 2: Average Local Revenue by Club, 1995-1999<sup>11</sup>**



Local revenues generally are the largest component of most clubs’ annual revenue. Unlike other professional sports, in which a much larger portion of television rights fees are pooled and distributed equally among all teams, most MLB television and radio rights are negotiated and sold locally, in each individual market. Only the rights to network television and radio (essentially the rights to postseason games) and a national cable package are sold by MLB, with the revenue going to the Central Fund. Because local markets vary greatly in size, the local TV and radio revenues flowing to each club vary in size by large amounts. The local radio and TV rights received by some clubs exceed the total revenues of other clubs.

<sup>11</sup> The figures for local revenue throughout this section are before revenue sharing.

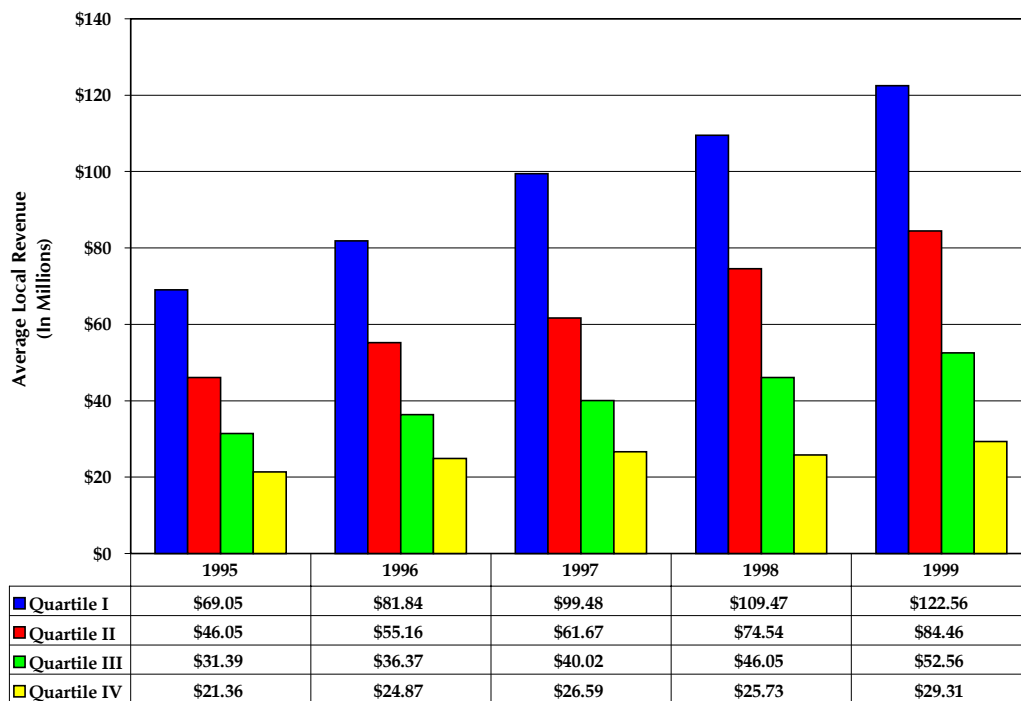


Media market rank also affects other local revenues available to clubs, including the amount they can charge for ballpark naming rights, signage, sponsorships, etc. No matter how well-managed a club might be, it cannot change its media market rank – a factor in the revenue disparity that translates to payroll disparity and competitive imbalance.

The disparity in local revenues also can be examined by considering all clubs in their respective revenue quartiles,<sup>12</sup> where Quartile I contains the highest revenue clubs and Quartile IV contains the lowest revenue clubs.

Over the period 1995 to 1999, average local revenue (*i.e.*, ticket sales, concessions, local television and radio, sponsorships, etc.) has increased by \$53.5 million for revenue Quartile I clubs, but has increased only an average of \$7.9 million for revenue Quartile IV clubs. Revenue Quartiles I, II and III all had regular increases during the five-year period, as shown below. The average for Quartile IV has not shown a consistent increase. (The average declined from 1997 to 1998.) The seemingly unbridgeable – and ultimately unacceptable – chasm between the “haves” and “have-nots” has grown wider.

**Chart 3: Average Local Revenue by Revenue Quartile**



<sup>12</sup> For 1995-1997, all four quartiles consisted of seven clubs. In 1998 and 1999, with the addition of two new clubs, Quartiles I and III contained eight clubs, while Quartiles II and IV contained seven clubs.

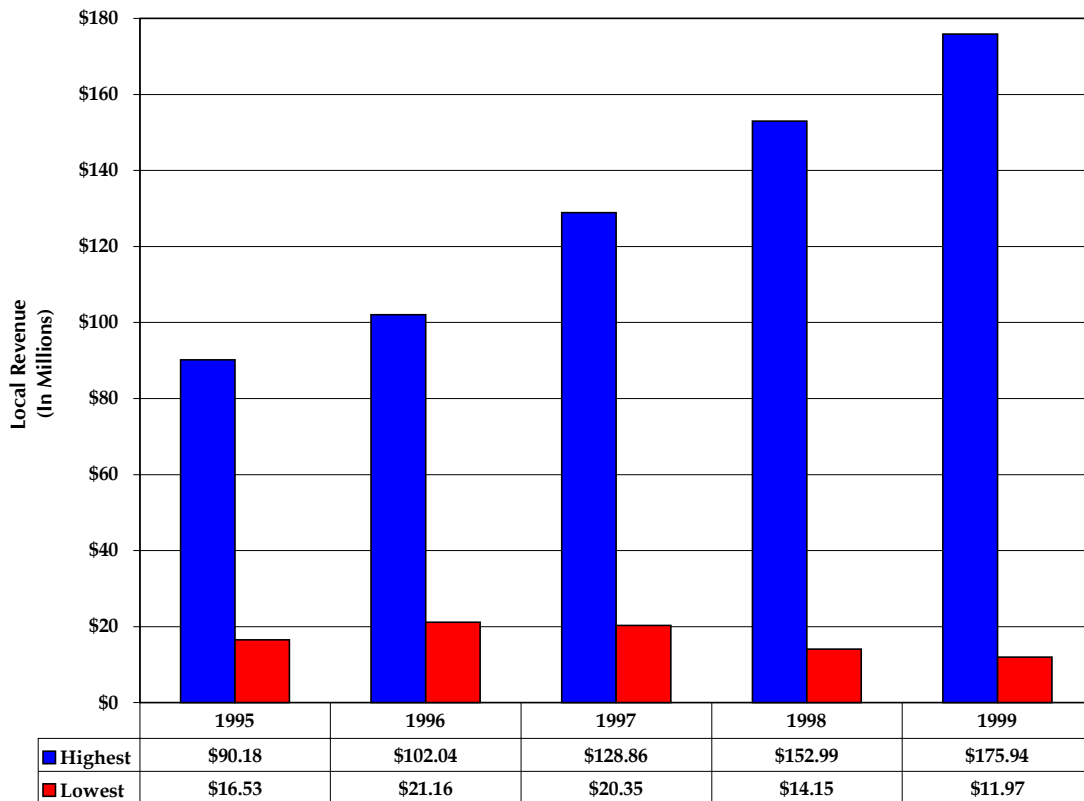
This observation is confirmed by reviewing the local revenue growth rates for the various quartiles:

**Table 4: Percent Change in Local Revenue by Year**

Quartile	1996	1997	1998	1999	Average
I	18.5%	21.5%	10.0%	12.0%	15.4%
II	19.8%	11.8%	20.9%	13.3%	16.4%
III	15.9%	10.0%	15.1%	14.1%	13.8%
IV	16.4%	6.9%	(3.2)%	13.9%	8.3%

The following chart shows the highest and lowest local revenue clubs during the past five years. The gap is huge and growing.

**Chart 4: Highest and Lowest Club Local Revenue, 1995-1999**



The difference in local revenues between the highest and lowest clubs has increased substantially in the past five years:

**Table 5: Ratio of Highest Local Revenue to Lowest Local Revenue**

1995	1996	1997	1998	1999
5.5:1	4.8:1	6.3:1	10.8:1	14.7:1

### III.3. Central Fund Revenues

Central Fund revenue historically has been distributed equally to all clubs. The following table shows the amount of the annual allocation.<sup>13</sup>

**Table 6: Average Annual Net Central Fund Distribution**

1995	1996	1997	1998	1999
\$4,774,951	\$8,350,117	\$10,675,462	\$12,314,988	\$13,315,000

Central Fund distributions have risen each year, but not as fast as the local revenues of some of the highest revenue clubs. The lowest revenue clubs, however, find that their Central Fund distribution is now larger than their local revenues.

In addition to the central revenues that are shared equally by the clubs through the Central Fund, MLB has, since 1996, redistributed local revenues centrally through the mechanism contained in Article XXV of the Basic Agreement. Over this four-year period through the 1999 season, the higher revenue clubs have redistributed a total of \$312 million to lower revenue clubs. Accordingly, in addition to the Central Fund payments a club receives, each club's total revenue figures reflect the club's revenue sharing (payments) or receipts.

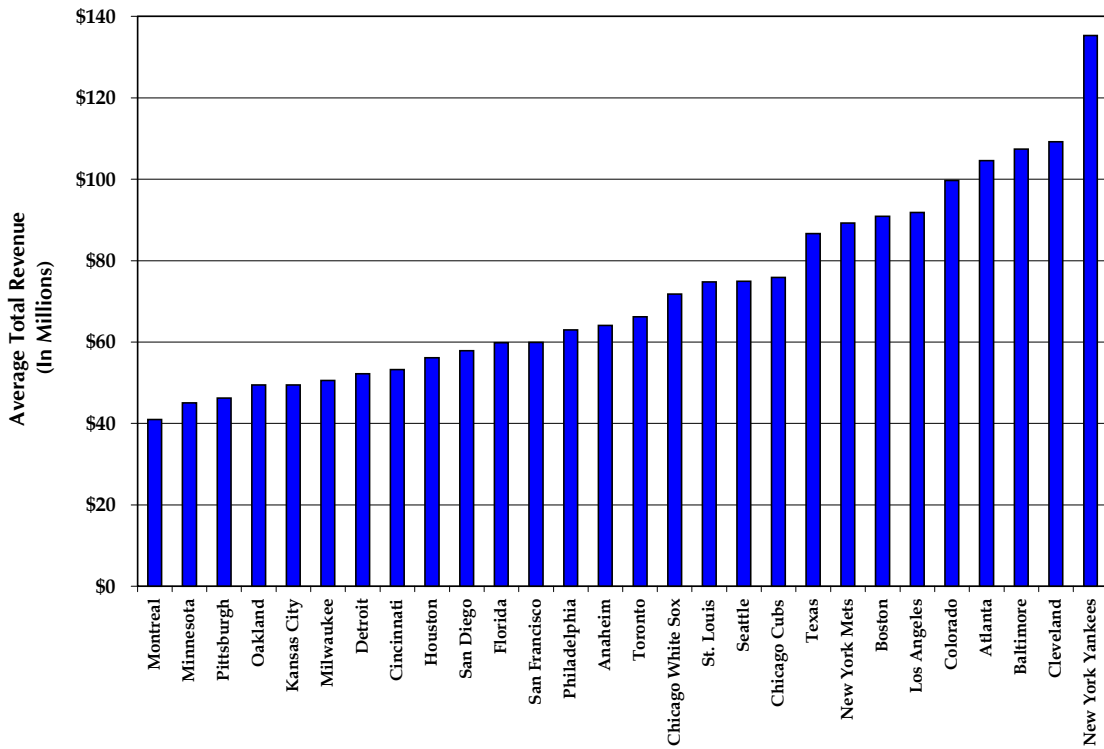
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<sup>13</sup> Net Central Fund distributions may vary slightly (less than 5 percent) from the table to reflect certain financial arrangements, including those for new franchises entering MLB; however, in 1998 and 1999, Arizona and Tampa Bay, as new franchises, received approximately 42 percent and 53 percent of the Central Fund distribution made to the other 28 clubs.

### III.4. Total Revenues by Club

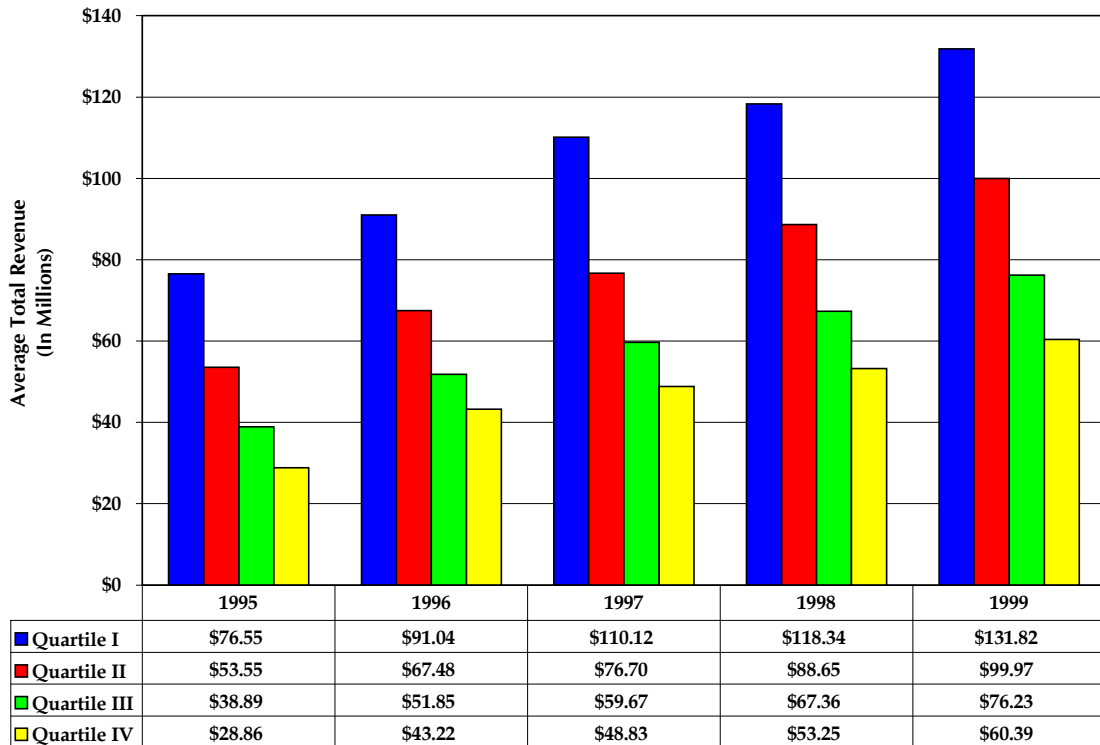
The range of average total revenues for each MLB club for the past five years is substantial, as shown by the following chart. It reflects revenue from all sources – *i.e.*, local revenue and Central Fund revenue, as well as the impact of revenue sharing, which can increase or decrease total revenue. Clearly, large revenue disparities continue to exist despite the limited experiment with revenue sharing.

**Chart 5: Average Total Revenue by Club, 1995-1999**



From 1995 to 1999, revenues of clubs in all four total revenue quartiles increased. Disparities between the top and bottom quartiles increased in terms of absolute dollars. This occurred despite the revenue sharing program which enabled bottom quartile clubs to increase total revenues by 109 percent while their top quartile counterparts grew revenue by 72 percent.<sup>14</sup>

**Chart 6: Average Club Total Revenue by Revenue Quartile**

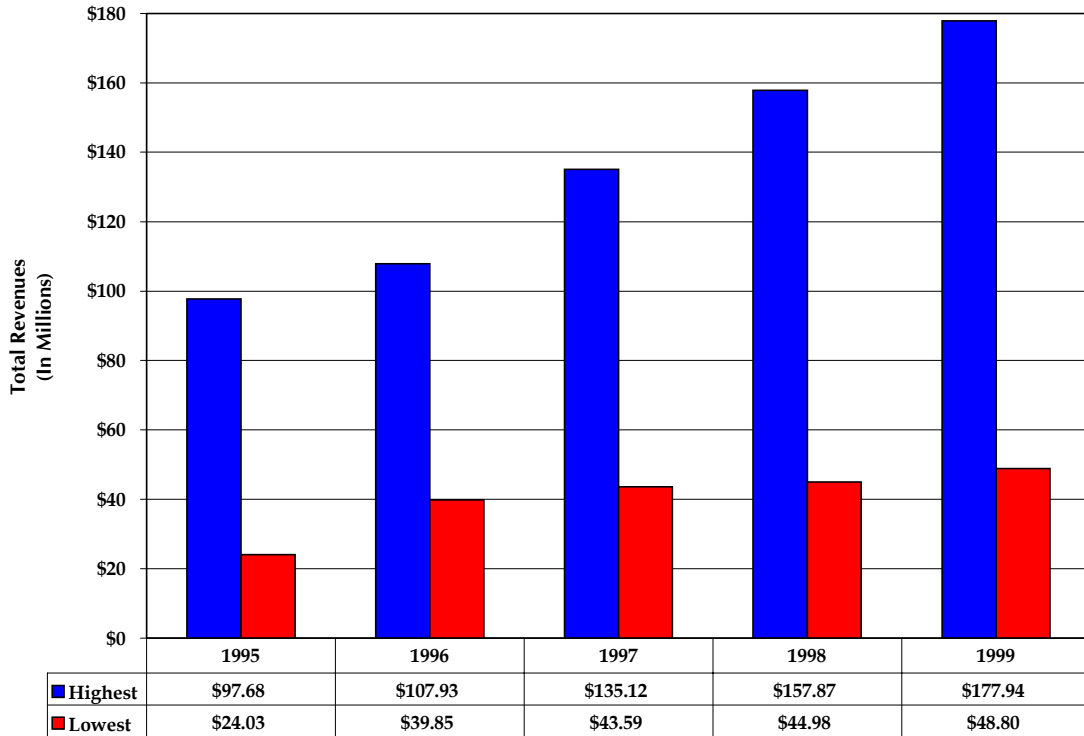


From 1995 to 1999, clubs in revenue Quartile I increased their annual revenues by an average of \$55 million, while Quartile IV clubs increased their revenues by only \$32 million. The difference in total revenue between the average club in Quartile I and the average club in Quartile IV increased from \$48 million to \$71 million. In 1999, the average revenue of the Quartile I clubs was 32 percent, 73 percent and 118 percent higher than the average revenue of the clubs in Quartiles II, III and IV, respectively.

<sup>14</sup> In 1998, the introduction of two new clubs, Arizona and Tampa Bay, further increased industry revenues. Arizona and Tampa Bay increased the number of franchises to thirty and added a total of \$323 million to total industry revenue for both 1998 and 1999.

While there are large differences between average club total revenues in the revenue quartiles, the differences between the highest and lowest clubs based on total revenue are even more pronounced, as shown by the following chart.

**Chart 7: Highest and Lowest Clubs in Total Revenue**

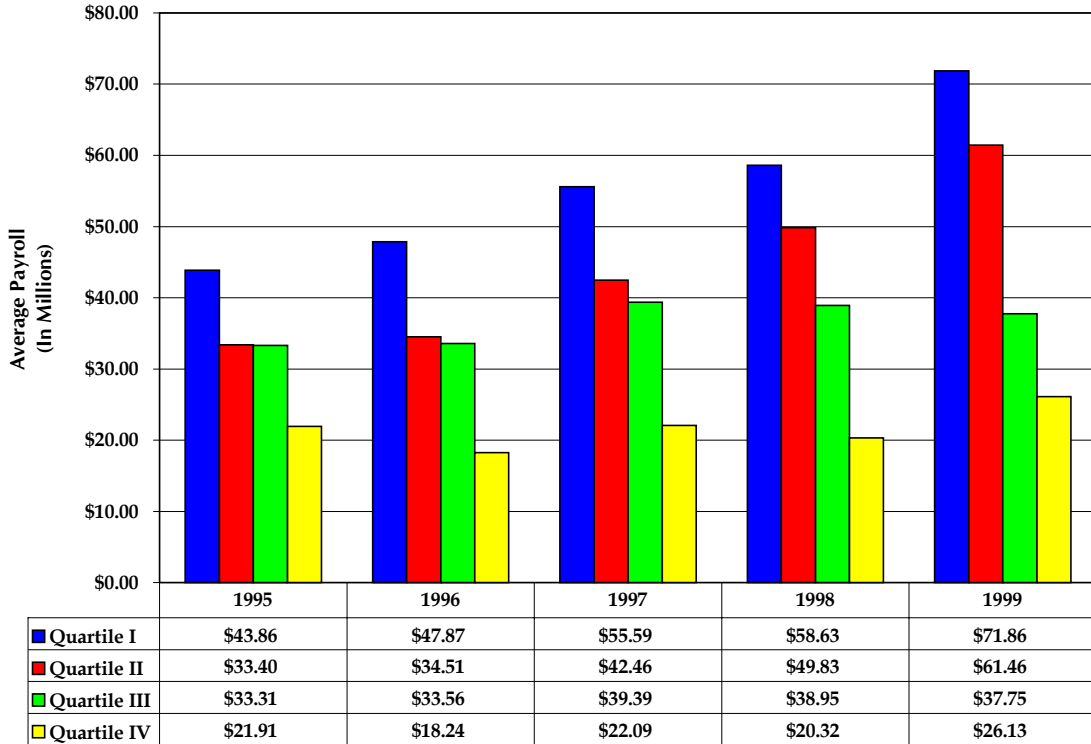


The difference between the highest and lowest total revenues reported by all clubs rose from \$74 million in 1995 to \$129 million in 1999. During 1999, the total revenue of the highest revenue club exceeded, by \$14 million, the sum of the total revenues for the lowest *three* clubs. The sum of the total revenues received by the top three revenue clubs exceeded the sum of the total revenues from the *entire* revenue Quartile IV by \$33 million.

### III.5. Club Payrolls<sup>15</sup>

The amount of each club's player payroll generally is related to its revenue. That is, the greater the club's revenue, the higher its payroll.

**Chart 8: Average Payroll by Revenue Quartile, 1995-1999**



From 1995 to 1999, the average payroll for clubs in revenue Quartile I increased by \$28 million, while the average payroll for clubs in revenue Quartile IV increased by only \$4 million.

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<sup>15</sup> The payrolls analyzed in this section are 25-man roster payrolls. Because the data in this section are used to illustrate the correlation between clubs' payrolls and winning percentages on the field, 25-man roster figures are most appropriate because that is the number of players on the active roster for most of the season.

The average club payroll for the past five years is shown below.<sup>16</sup> While the average MLB payroll has increased 50 percent, the previous chart indicates that clubs in revenue Quartiles III and IV increased their payrolls by only 13 percent and 19 percent, respectively.

**Table 7: Average Club Payroll, 1995-1999**

	1995	1996	1997	1998	1999	Increase
Average	\$33.12	\$33.54	\$39.88	\$42.39	\$49.67	50%
Average Increase		1.3%	18.9%	6.3%	17.2%	
Note: All dollar figures are in millions						

Quite simply, the higher revenue clubs have the financial resources to: 1) sign high-salaried free agents from other clubs; 2) retain their own high-salaried players; and 3) sign top prospects from the Rule 4 draft, where signing bonuses for highly sought-after players have risen dramatically in recent years, and from foreign countries, where players are exempt from the draft and can be signed as free agents. The rich clubs become richer in talent, stockpiling expensive players, while poor teams cannot afford to bid on premium players either at the entry level or on the veteran free agent market.

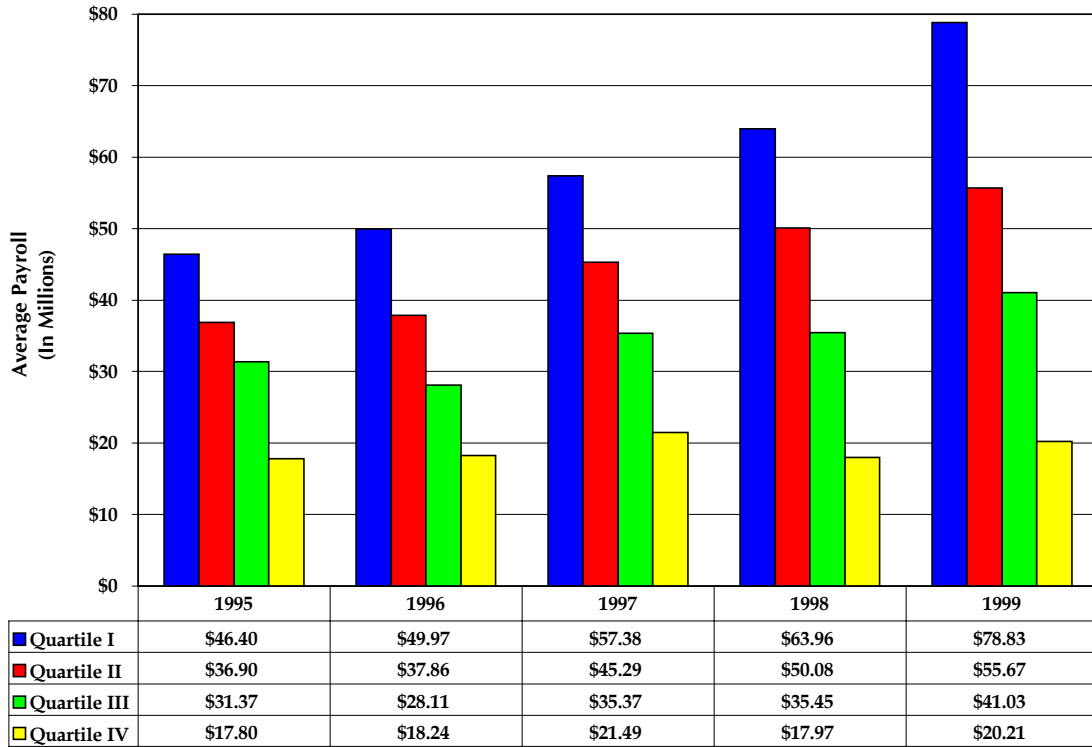
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<sup>16</sup> For a list of the payrolls for all clubs, see Table 29: Payroll by Club, 1995-1999, on page 83.



By grouping clubs into four payroll quartiles, where payroll Quartile I clubs have the largest payrolls and payroll Quartile IV clubs have the lowest, the relative size of club payrolls can be examined.

**Chart 9: Average Payroll by Payroll Quartile**



*From 1995 to 1999, the average payroll for clubs in payroll Quartile I increased \$32 million (or 70 percent), while the average payroll for clubs in Quartile IV increased \$2.4 million (or 13 percent). Whereas in 1995, payroll Quartile I clubs spent approximately two and one-half times the amount spent by Quartile IV clubs on player payroll, in 1999 Quartile I clubs spent almost four times as much as Quartile IV clubs. This is a substantial departure from the historical pattern in MLB. From 1982 to 1990, the average ratio of the highest payroll quartile to the lowest payroll quartile was 2:1, and in three out of nine years the ratio was less than 2:1. The corresponding ratios for more recent years are as follows:*

**Table 8: Ratio of Payroll Quartile I Average to Payroll Quartile IV Average**

1995	1996	1997	1998	1999
2.6:1	2.7:1	2.7:1	3.6:1	3.9:1

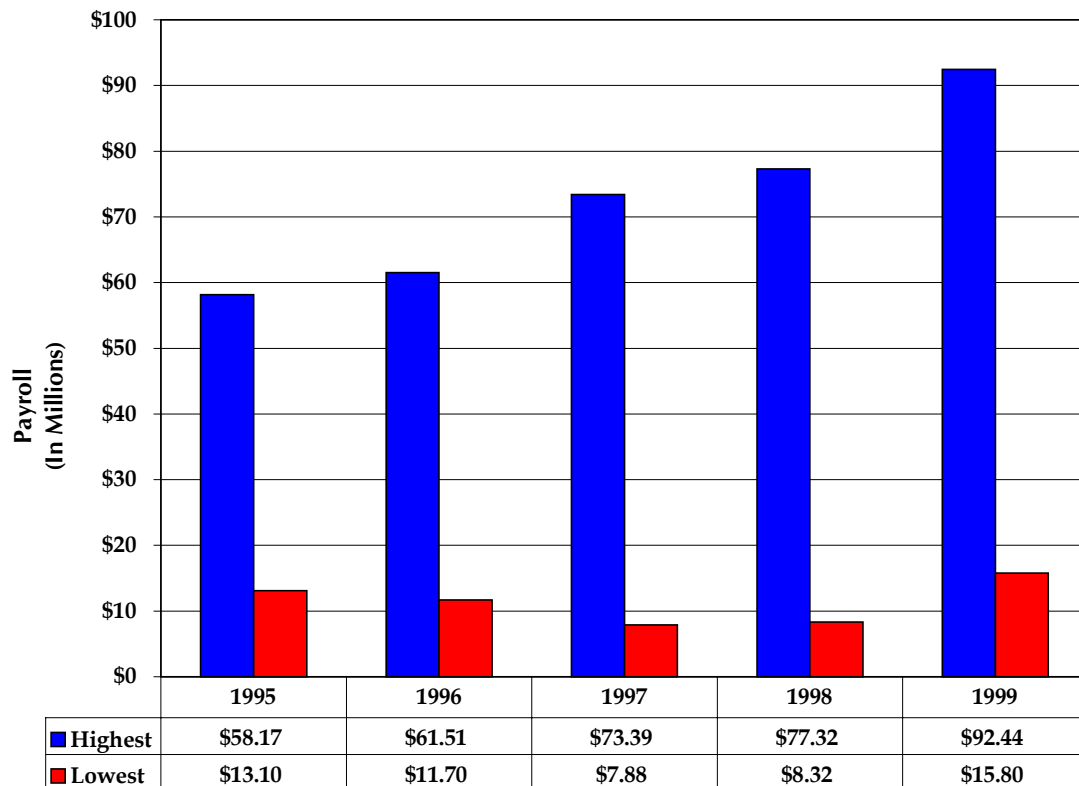
From 1995 through 1999, the total payroll of payroll Quartile I clubs increased from 35 percent of total MLB player payroll to more than 42 percent of total MLB payroll, while payroll Quartile IV was reduced from 13 percent to 10 percent, as shown in the following table.

**Table 9: Total Payroll by Payroll Quartile, 1995 and 1999**

Payroll Quartile	1995		1999	
	Payroll	%	Payroll	%
I	\$324,832,473	35%	\$ 630,610,722	42%
II	258,297,186	28%	389,695,321	26%
III	219,583,674	24%	328,270,441	22%
IV	124,621,083	13%	141,442,217	10%
Total	\$927,334,416	100%	\$1,490,018,701	100%

The gap between the highest club payroll and the lowest club payroll increased in 1995 through 1999, as shown in the following chart.

**Chart 10: Highest and Lowest Club Payrolls**



The difference between the highest and lowest club player payrolls increased from \$45 million in 1995 to \$77 million in 1999.

The payroll disparity in MLB is in stark contrast to the situation in professional football and basketball. For example, in the NFL the ratio of the average payroll of the highest seven teams to the average payroll of the lowest seven teams in 1999 was 1.4:1 and has been less than 1.5:1 in each of the last three years. In the NBA, the ratio of the highest seven to the lowest seven was 1.7:1 in 1999 and has been less than 1.75:1 in each of the last three years.

### **III.6. Club Competitiveness**

The total number of games won is generally closely related to the club's payroll. That is, the higher the payroll, the more games the club is likely to win. This is clearly not a foolproof correlation or an exact science. Occasionally, a low-payroll club does well on the field. High-payroll clubs also have flopped on the field. Team chemistry, skillful player evaluation and baseball management make a difference. But while it is evident that a high payroll is not the only element in fielding a winning club, it is an increasingly important element. Put another way, a high payroll does not automatically guarantee a good win-loss record and a contending season, but a low payroll usually means that a club cannot contend for a postseason berth or a championship.<sup>17</sup>

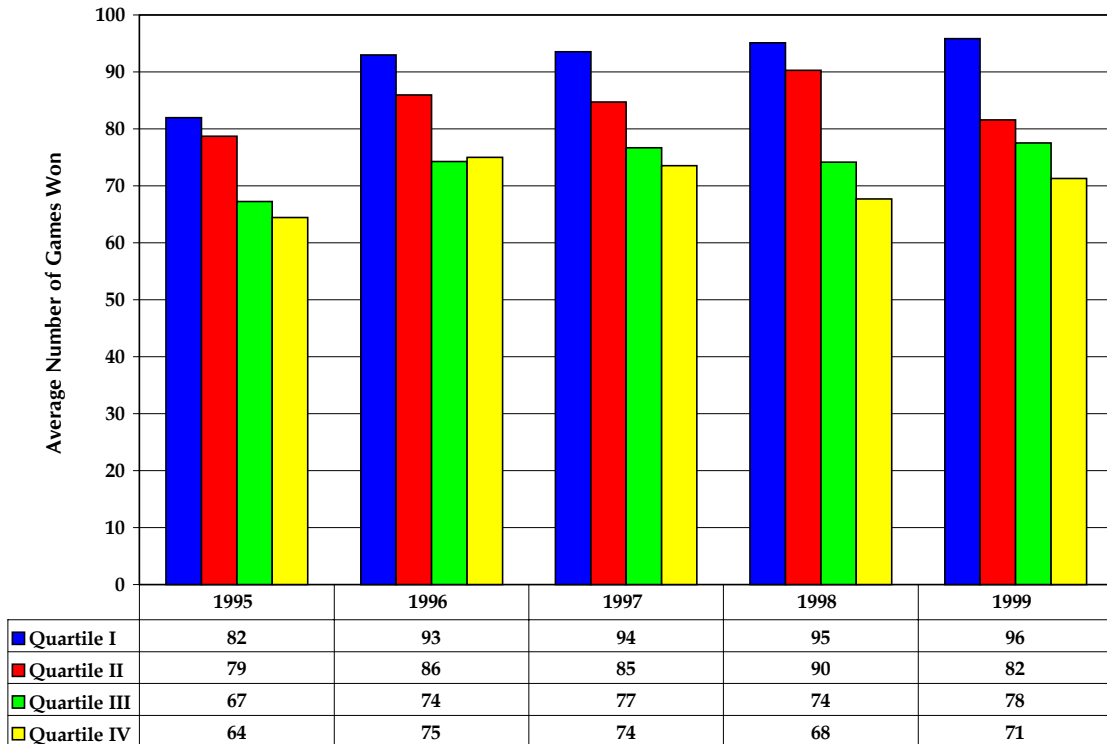
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<sup>17</sup> Clubs that are successful on the field may have increased payrolls the following year because successful players are often rewarded with higher salaries.

### III.7. Games Won by Year

The chart below examines the average number of games won by payroll quartile during the regular season and the postseason for 1995 through 1999.

**Chart 11: Average Games Won by Payroll Quartile**



The lowest number of games won by any club in a full 162-game regular season<sup>18</sup> during the past half-decade was 53 games,<sup>19</sup> or slightly less than one-third of all that club's games. It has often been said that the worst club in MLB will win at least one-third of its games, and the best club will not win more than two-thirds of its games. So the competition is narrowed to trying to win the pivotal one-third of each team's games.

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<sup>18</sup> The 1995 championship season was shortened by the players' strike to 144 games.

<sup>19</sup> Detroit, in 1996. Florida won 54 games in 1998.

By 1999, those clubs with larger payrolls won substantially more games than they lost. The correlation of payroll advantage to victories is dramatic, as shown in the following table:

**Table 10: Games Won and Lost by Payroll Advantage, 1999**

	1999 Home Games Won												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,284	568	442	339	275	222	182	173	134	103	83	79	66
Games Lost	1,174	379	295	218	169	140	103	93	75	49	41	38	28
Total Games	2,458	947	737	557	444	362	285	266	209	152	124	117	94
% Won	52%	60%	60%	61%	62%	61%	64%	65%	64%	68%	67%	68%	70%

	1999 Visitor Games Won												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,174	518	406	320	247	209	166	153	123	98	80	73	59
Games Lost	1,284	424	326	241	200	167	124	106	86	59	43	42	35
Total Games	2,458	942	732	561	447	376	290	259	209	157	123	115	94
% Won	48%	55%	55%	57%	55%	56%	57%	59%	59%	62%	65%	63%	63%

These tables summarize the results of all 1999 home games and all 1999 away games. The column labeled “All” shows that the home team won 52 percent of games and that the visiting team won 48 percent of games in 1999. The percentages across the top of the chart next to the title “Payroll Advantage” show the percentage by which a club’s payroll exceeded the payroll of its opponent in a particular game. These charts indicate an increasing percentage of games are won by both home and visiting clubs as their payroll advantage increases. For example, home teams won 52 percent of all games played in 1999, but the number jumped to 60 percent for home teams that had a 25 percent to 50 percent payroll advantage and rose steadily to 70 percent for teams that had a 300 percent payroll advantage. Similarly, visiting teams won 48 percent of all games in 1999 but the number jumped to 55 percent for visiting teams that had a 25 percent to 50 percent payroll advantage and rose steadily to 65 percent for teams with a 250 percent payroll advantage.<sup>20</sup>

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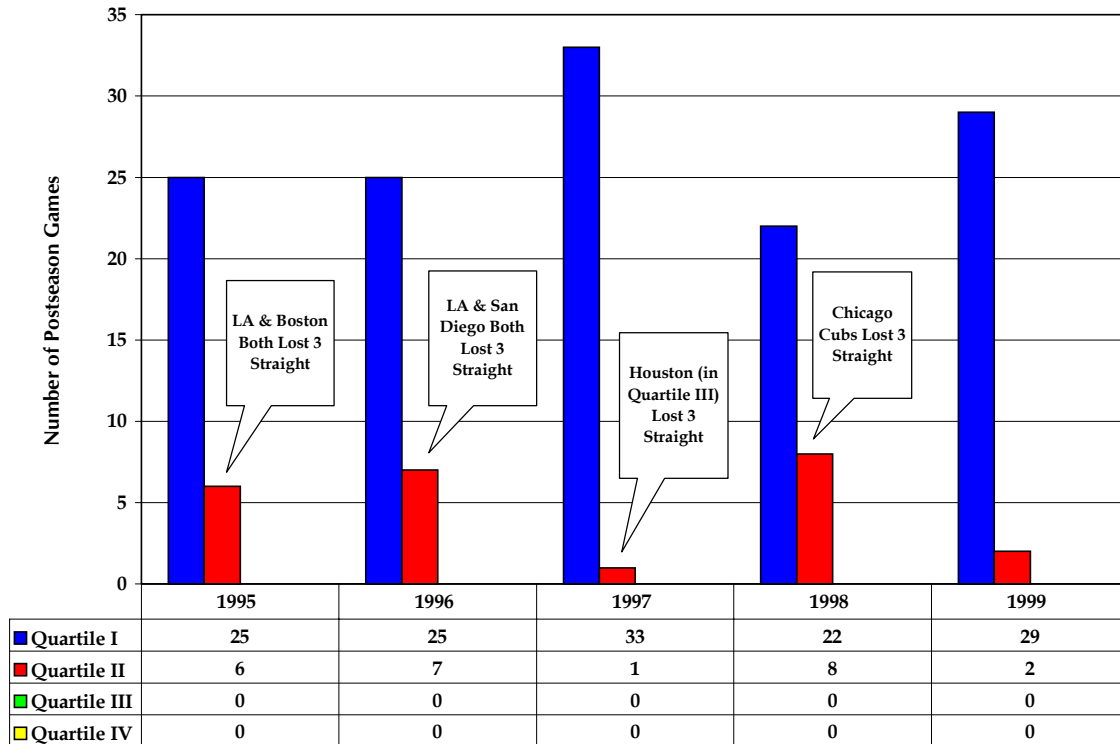
<sup>20</sup> Visiting teams with a 275 percent to 300 percent payroll advantage won 63 percent of their games, a slight statistical aberration attributable to the relatively small number of games involved.

The number of games that matched a club against an opponent with four times its payroll—*i.e.*, a 300 percent payroll advantage—increased from none in 1995 to 94 in 1999.<sup>21</sup> It should be noted that a game between teams with such a pronounced differential at the major league level would be unthinkable in the other professional sports. That said, the consequences of huge payroll differentials on competitiveness are quite clear.

### III.7.1. Postseason Games Won

The stratification of clubs in different payroll quartiles into contenders and pretenders—those with a realistic chance of winning and the hopeless also-rans—is obvious when the postseason games are analyzed.

**Chart 12: Postseason Games Won by Payroll Quartile**



From 1995 through 1999, a total of 158 postseason games were played. During this five-year period, no club from payroll Quartiles III or IV won a postseason game.

<sup>21</sup> For a complete listing of the effect of a payroll advantage, see Table 31: Games Won and Lost by Payroll Advantage, 1995-1999, on page 85.

Further, only one club from payroll Quartile III appeared in the postseason during this period.<sup>22</sup>

The postseason history during the past five years<sup>23</sup> shows that the highest payroll clubs tend to win more than they lose, even though most of the games they play are against clubs in the same payroll quartile. Payroll Quartile II clubs won only about one in four of the postseason games they played. Payroll Quartiles III and IV did not win any postseason games from 1995 through 1999, as shown in the following table and chart.

**Table 11: Postseason Games Won by Payroll Quartile, 1995-1999**

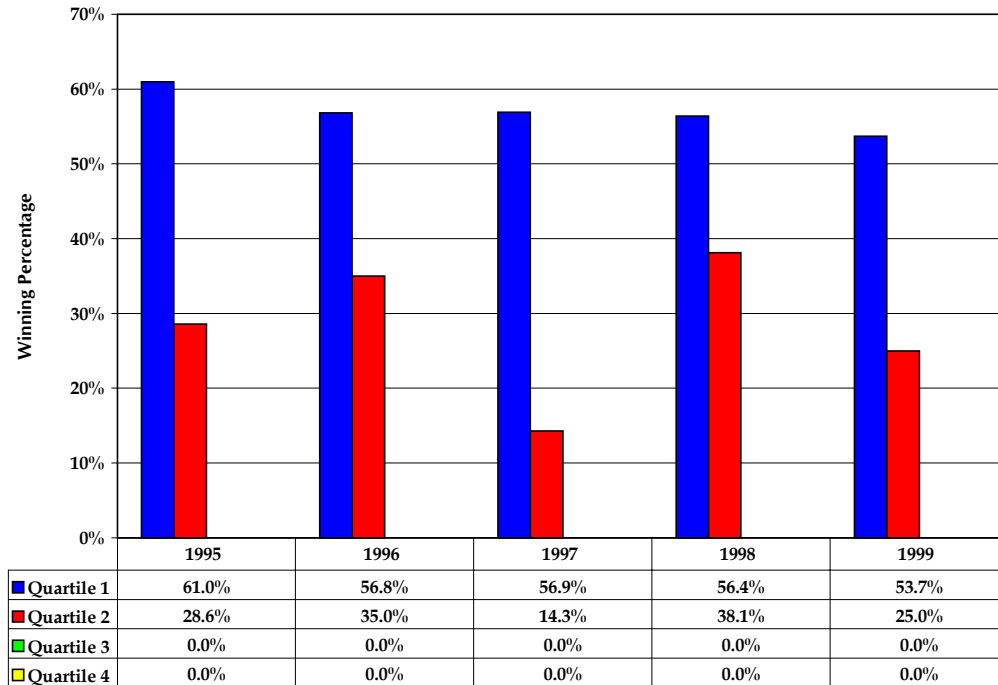
	Quartile I		Quartile II		Quartile III		Quartile IV		Total
	Average Payroll	Games Won	Average Payroll	Games Won	Average Payroll	Games Won	Average Payroll	Games Won	Games Won
1995	\$46,404,639	25	\$36,899,598	6	\$31,369,096	0	\$17,803,012	0	31
1996	49,968,487	25	37,860,344	7	28,105,906	0	18,239,075	0	32
1997	57,375,862	33	45,293,835	1	35,366,572	0	21,494,048	0	34
1998	63,964,127	22	50,084,997	8	35,445,569	0	17,970,347	0	30
1999	78,826,340	29	55,670,760	2	41,033,805	0	20,206,031	0	31
Total		134		24		0		0	158

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<sup>22</sup> Houston appeared in the 1997 postseason, losing 3 straight games (to Atlanta, a payroll Quartile I club).

<sup>23</sup> For a listing of postseason results, see Table 26: Postseason Appearances by Payroll Quartile, 1995-1999, on page 80.

**Chart 13: Postseason Winning Percentage by Payroll Quartile**



### III.7.2. League Championship Series

The LCS in both the American and National Leagues for the past five years have been played by clubs from payroll Quartiles I and II, as per the following table.

**Table 12: LCS Appearances by Payroll Quartile**

	1995	1996	1997	1998	1999
NL Winner	I	I	I	II	I
NL Loser	I	II	I	I	I
AL Winner	I	I	I	I	I
AL Loser	II	I	I	I	I

Of the twenty opportunities to appear in the LCS in both leagues, payroll Quartile I clubs advanced to their respective LCS 17 times, or 85 percent. Quartile II teams filled the remaining three slots. Payroll Quartiles III and IV did not appear in the LCS during this period. Nine of the ten series were won by payroll Quartile I clubs.



Four clubs, all members in each year of payroll Quartile I, have appeared in the LCS multiple times during the past five years, as shown by the following table.

**Table 13: LCS Appearances by Clubs, 1995-1999**

NL		AL	
Atlanta	5	NY Yankees	3
Cincinnati	1	Cleveland	3
Florida	1	Baltimore	2
NY Mets	1	Boston	1
San Diego	1	Seattle	1
St. Louis	1		

### III.7.3. World Series

The World Series winner for the past five years has been from payroll Quartile I; further, the winner has been among the top five payroll clubs each year during this period.<sup>24</sup> The loser has also been from payroll Quartile I each year, except for 1998, when payroll Quartile II was represented.<sup>25</sup> World Series appearances by payroll quartile are shown in the following table:

**Table 14: World Series Appearances by Payroll Quartile**

World Series	1995	1996	1997	1998	1999
Winner from Quartile	I	I	I	I	I
Loser from Quartile	I	I	I	II	I

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<sup>24</sup> Atlanta and Florida won the World Series in 1995 and 1997, respectively, and were ranked 4th and 5th, respectively, in payroll among all clubs in those years. In 1996 and 1999, the New York Yankees won the World Series and had the highest payroll in MLB. In 1998, the New York Yankees won the World Series with the 2nd highest payroll in MLB.

<sup>25</sup> In 1998, San Diego, ranked 10th in team payroll, was defeated in four straight games by the New York Yankees.

### **III.8. Club Profitability, Club Debt and Franchise Values**

Some argue that issues such as a lack of club profitability, high club debt and franchise values that have lagged behind other professional sports provide an independent basis for reform of the economics of MLB. While these issues are analyzed in Appendix I, our recommendations are not based on our analysis of these topics.

### **III.9. Conclusions Regarding Competitive Balance**

The data presented and analyzed in this report suggest the following conclusions:

- a. The amount of a club's revenue is a key factor in determining the amount of that club's payroll.
- b. Clubs with higher payrolls tend to win more games than those with lower payrolls.
- c. The size of a club's payroll is the most important factor in determining how competitive the club will be.
- d. No club outside payroll Quartiles I and II is likely to appear in the postseason.

While most fans do not demand or expect that their team will reach postseason play each year, some have ample reason to believe that the club they root for will remain chronically uncompetitive. Because revenue Quartile III and IV clubs have not been winners and have barely been participants in the postseason for the past five years, many fans have come to believe that it is unlikely these clubs will reverse that fate in the next few years. The presence in the game of clubs, perhaps a majority, that are chronically uncompetitive, alongside clubs that routinely dominate the postseason, undermines the public's interest and confidence in the sport.

#### IV. Remedies for Competitive Imbalance

The objective of competitive balance in baseball should be taken to mean a reasonable *opportunity* for all clubs, not equal *outcome*. Clubs should expect to be rewarded for good management, on and off the field, as well as by periodic good fortune.

The internal market arrangements for professional baseball, as in all professional sports, are cooperative arrangements necessary for the maintenance of on-the-field competitiveness between teams representing unequal markets.

Baseball's economic system has never been, is not, and should not be, a wholly unregulated market. Baseball, like all professional sports, has recognized that the drive for unbridled competition on the field must be harnessed or tempered by regulations designed to ensure fairness and the inherent need for cooperation among clubs with unequal economic resources to preserve the "league" as an institution. All professional sports regulate issues such as roster size, late season trades, and access to new talent (via a draft) in ways that would not be tolerated in an unregulated environment.

Whatever their other differences, both owners and players have supported market regulations as a necessary component of MLB's economic landscape. Owners, even those who have suffered significant economic losses, have agreed to limits on franchise relocation because they recognize that teams are a civic asset and too many franchises in the most fertile markets would be bad for fans and the game. Players have recognized that unlimited free agency is unacceptable because too much player movement could destroy the fabric of the game.

Even the courts and Congress have recognized the unique economic structure of Baseball by creating and upholding MLB's long-time exemption from the antitrust laws. The exemption is founded on the notion that it is in the public's interest to have MLB as a national enterprise with orderly operations and a reasonable degree of cooperation among the clubs, even if that cooperation is not strictly in compliance with the pro-competitive policies that underlie the antitrust laws.

#### **IV.1. Enhanced Revenue Sharing**

The limited revenue sharing introduced in recent years has failed to promote adequate competitive balance, although it has enabled a handful of low payroll clubs that are not competitive on the field to become profitable. The modest amount of shared revenue during the past few years needs to be increased substantially. This would have the effect of paying the visiting teams for their indispensable role in producing a marketable event. *MLB teams should share at least 40 percent, and perhaps as much as 50 percent, of all local revenues, after local ballpark expenses are deducted, under what is known as a straight pool plan.* By expanding revenue sharing, MLB will recognize, as do other successful sports leagues, the indispensable contribution that visiting teams make.

The current Basic Agreement sets forth two basic revenue sharing plans: 1) the straight pool plan which was utilized by at least some segments of the industry during the 1996 and 1997 seasons, and 2) the split pool plan under which the industry currently operates. Under the straight pool plan, each club contributes 39 percent of its net local revenue to a pool that is then redistributed equally to all clubs. Under the split pool plan, each club contributes 20 percent of its net local revenue to a pool. The pool is then subdivided into two parts: 1) 75 percent of the pool is redistributed equally to all clubs, and 2) 25 percent is redistributed only to those clubs below the industry's average local revenue. The split pool plan creates anomalous results in the sense that some middle market clubs face a higher marginal tax rate than the highest revenue clubs.

Because this inequity tends to exacerbate the competitive problems facing the game, MLB should move to a straight pool revenue sharing format with at least a 40 percent rate and perhaps as much as a 50 percent rate. The current split pool plan should be discarded.

*In order to discourage clubs from using revenue sharing to become profitable without making a proper effort to become competitive on the field, it is imperative that enhanced revenue sharing be coupled with an appropriate minimum club payroll, as described below.* This would give clubs the incentive to spend an appropriate amount of the revenue they receive from enhanced revenue sharing to increase their player payroll to competitive levels.

## IV.2. Enhanced Competitive Balance Tax and Minimum Club Payroll

*MLB should levy a 50 percent enhanced “competitive balance tax” on club payrolls that are above \$84 million, which is approximately the 1999 threshold in the 1996 Basic Agreement luxury tax. MLB also should adopt measures to encourage all clubs to have a minimum club payroll of at least \$40 million.* These payroll figures are based on the luxury tax definitions used in the 1996 Basic Agreement. These payroll figures are higher than the 25-man roster payrolls used earlier in this document because they include more players (40 rather than 25) and include player benefits. They are the appropriate figures for calculating the competitive balance tax because they cover each club’s full Major League roster.

The competitive balance tax is an extension of the previous luxury tax that was implemented in 1997 and that failed to moderate the rapid escalation of club payrolls. It is generally agreed that the luxury tax fell short of its intended goal because the tax threshold (which was calculated as the mid-point between the fifth and six highest payroll clubs) was allowed to adjust upward in response to club behavior. The flaw in the “floating threshold” was obvious: the more the high payroll clubs spent on players, the higher the tax threshold and the less restraint on payroll escalation.

In order to correct this problem, MLB should adopt a fixed tax threshold of \$84 million, approximately the tax threshold that was applicable for the 1999 season. That fixed threshold should remain in place for a period of years until a more reasonable ratio (approximately 2:1) between the average of payroll Quartile I and the average of payroll Quartile IV can be reestablished.

A criticism of the 1996 Basic Agreement was that, while revenue sharing and the luxury tax extracted funds from certain high-revenue clubs, there was no matching requirement that clubs receiving these funds actually spend more money on their player payroll. In order to address this concern, MLB should encourage all clubs to maintain a payroll of at least \$40 million. The mechanism for enforcing this minimum club payroll will be described in more detail in the following section.

The precise economic effect of the competitive balance tax and the minimum club payroll is impossible to predict with certainty. It seems undeniable that at least three dynamics would be at work. First, the tax should tend to limit payroll increases by the highest payroll clubs. Second, the lowest payroll clubs would face intense pressure to at least reach the minimum. Third, clubs in the middle would be tempted to increase payroll because they would have a greater chance to compete with the high-payroll clubs. These offsetting dynamics could well result in redistribution of, but no aggregate decrease in, the dollars devoted to player compensation.

### **IV.3. Unequal Distribution of Central Fund Revenues**

*MLB should use unequal distribution of new Central Fund revenues to improve competitive balance by creating a “Commissioner’s Pool” that is allocated to assist low-revenue clubs in improving their competitiveness and in meeting the minimum club payroll obligation of \$40 million.*

In January 2000, MLB granted the Commissioner new powers to distribute new Central Fund revenues in unequal amounts. The Commissioner’s exercise of this power should be focused on “incremental” Central Fund revenues beyond the \$13 million per club distributed in 1999. The Commissioner should distribute new Central Fund revenues in a way that addresses the core problem of competitive balance: widely disparate local revenues.

Specifically, given the current level of local revenue disparity, the \$40 million minimum payroll referenced above would force a number of clubs into significant and persistent unprofitability. The Commissioner should use the mechanism of disproportionate allocation to address this problem, to encourage revenue enhancing activities such as investments in new ballparks and to reward low-revenue clubs for developing young talent. The Commissioner should enforce the minimum club payroll by declaring any club below the \$40 million minimum ineligible for an enhanced distribution.

### **IV.4. Competitive Balance Draft**

The four previous recommendations will tend to promote competitive balance within the current twenty-five-man roster. This recommendation addresses the problem of high revenue clubs stockpiling talent in their farm systems. *MLB should conduct an annual draft of players not on a 40-man roster, which is designed to improve the least competitive clubs from the prior year.*

Specifically, prior to the first round of the annual Rule 5 draft, each of the clubs with the worst eight records should be allowed to draft one player from one of the eight organizations that qualified for the post-season in the preceding year. The draft would be conducted under the same rules applicable to the Rule 5 draft except that there would be no requirement that players selected remain on the Major League roster for any period of time.

## **IV.5. Rule 4 Draft Reforms**

The Rule 4 draft, originally designed in the early 1960s to distribute the best new talent to poorly performing clubs, has evolved into an inefficient mechanism with perverse effects. It has allowed high-revenue clubs to obtain a significant advantage in the acquisition of first-year players. The following recommendations would help the draft fulfill its original purpose: to enhance competitive balance.

### **IV.5.1. Include International Players**

Currently, forty percent of all players signing first-year contracts are excluded from the draft because they do not reside in the United States, Puerto Rico or Canada. With the recent dramatic escalation of signing bonuses to free agent first-year players from the Far East, the Dominican Republic, Venezuela, Cuba and Australia, high revenue clubs now sign the majority of talented high-profile foreign players. *The implementation of a worldwide draft would ensure all clubs, regardless of revenue, relatively equal access to the crucial foreign player market.*

### **IV.5.2. Eliminate Compensation Picks**

Competitive balance is harmed when teams receive supplementary draft picks as compensation for losing major league players to free agency. Increasingly, high-revenue clubs—those able to trade for a high-salaried player on the verge of free agency—are receiving more than their proportionate share of the supplementary picks. The supplementary picks harm low-revenue clubs by artificially changing the draft order of the first 100 selections and devaluing subsequent selections. *The elimination of compensatory picks would preclude multi-pick windfalls by high-revenue clubs and would benefit low-revenue clubs by restoring a true draft order based on performance.*

### **IV.5.3. Alter Eligibility Standards**

Low-revenue clubs often pass on the opportunity to draft the best available player because of concerns about the player's demand for a high signing bonus. The "unsignable" players are then selected later in the draft by high-revenue clubs, which reward the players with sizeable bonuses. This phenomenon is partly attributable to the perceived leverage of unsigned amateur players, many of whom can be selected in the draft up to four times during their collegiate years.

By changing the eligibility standards for the draft, the leverage of these amateur players would be reduced and fewer would be perceived as “unsignable.” One option is to allow entry into the draft only upon completion of high school, two years of junior college, and four years of college. Another option—one that need not wait for a new collective bargaining agreement—involves encouraging the NCAA to adopt the same draft eligibility rule it employs for football and basketball. *Under such a rule, amateur players forfeit all future collegiate eligibility by declaring themselves eligible for the draft. The adoption of this rule, which is additionally justified as an incentive to education by the NCAA, would alter the leverage of amateur players and allow lower revenue clubs to draft and sign the best available players.*

#### **IV.5.4. Implement Disproportionate Allocation of Picks**

The impact of a high first-round draft position in baseball is not as dramatic as in other sports because of the nature of baseball scouting and player development. *To provide chronically uncompetitive clubs with a more significant opportunity to acquire the best new talent, clubs that finish in the playoffs in a given year should not be allowed to draft until the second round of the Rule 4 draft the following year.*

#### **IV.5.5. Allow Trading of Draft Picks**

Low-revenue clubs that make economical draft picks rather than select the best available players do not benefit from their high draft position. *If clubs were allowed to trade draft picks, low-revenue clubs could receive fair market value for their draft position in the form of major league players, prospects or multiple picks in later rounds.* Additionally, should bottom finishing clubs receive multiple first-round selections, the ability to trade draft picks would help alleviate the financial burden of signing several high picks with limited resources.



#### IV.6. Franchise Relocation

*Franchise relocation should be an available tool to address the competitive issues facing the game. Clubs that have little likelihood of securing a new ballpark or undertaking other revenue enhancing activities should have the option to relocate if better markets can be identified.*

Many observers of MLB believe that the root of the competitive balance problem is the fact that clubs located in smaller or less fertile markets are unable to generate sufficient revenues to support the level of payroll necessary to be competitive on the field. The inability of a club to generate sufficient revenue in a particular market may be related to a lack of population, poor demographic composition, a lack of sufficient corporate presence and/or the proximity of other clubs.

One obvious solution to the problem presented by such clubs would be to identify more viable markets and to allow the clubs to relocate. The relocation of a club to a more attractive market would present the club with the opportunity to generate more revenue which, in turn, reasonably could be expected to have the following collateral effects:

- a. The club would be more financially capable to compete with high-revenue clubs in terms of on-field performance;
- b. To the extent that MLB's product is the on-field competition, the product would be improved;
- c. MLB as an industry would be operating in a better portfolio of markets and would generate more revenue; and
- d. The industry's revenue sharing plan would be improved in the sense that a greater portion of the available revenue sharing plan dollars could be redistributed to remaining low-revenue clubs and/or the overall burden on payor clubs could be eased to some extent.

If the relocation were to a very large market already occupied by one or more high-revenue clubs, the relocation could serve to reduce the revenue disparity in the industry by increasing the revenue of the relocated club without necessarily reducing the revenue of the incumbent club(s). Adding a club to a large market could increase the revenue of the existing club or clubs through enhanced rivalries.

#### **IV.7. Contraction**

Recently, there has been some speculation about MLB's possible need to contract by two or more franchises. The argument for contraction has two main components. First, some suggest that the industry, from a competitive perspective, would be better off by eliminating its weakest two franchises. Second, some believe that the purchase price that would have to be paid for the reacquisition of a financially distressed club or clubs would be less costly than the value of all future, shared industry revenues that would otherwise be payable to the reacquired club or clubs. *If the recommendations outlined in this report are implemented, there should be no immediate need for contraction.*

#### **IV.8. Game Development—Domestic and International**

One of the greatest challenges facing MLB is the continuing development of the game. The development of the game has two distinct components. First, game development is necessary to ensure an adequate talent base so that the thirty clubs can continue to provide the highest quality entertainment product. In recent decades, baseball's development of talent has suffered as a result of fierce competition from traditional rivals such as basketball and football, as well as fast-growing sports such as soccer. The second aspect of development relates to ensuring the game's continued popularity among fans. Compared to other major sports, MLB's fan base tends to be older and less affluent. In order to ensure continued economic growth, Baseball must implement aggressive marketing initiatives to increase its popularity, particularly among younger fans, women and minorities.

*Both aspects of game development can be addressed through grassroots programs aimed at youth participation. The more children who play baseball, the deeper and broader will be the talent pool available to MLB. Moreover, youths who participate in the game are much more likely to turn into lifelong fans of MLB.*

MLB itself, and in conjunction with the MLBPA, has recently undertaken significant programs aimed at grassroots development. MLB has announced a program of inner city "academies" designed to encourage youth participation in the game and provide the type of quality coaching that is necessary for talent development. MLB has also joined with the MLBPA to create a \$10 million fund known as the Baseball Tomorrow Fund. The purpose of the Baseball Tomorrow Fund is to make grants to programs designed to increase youth participation in baseball and softball. These types of efforts are to be applauded and should be expanded in the future.

A special word about international development is also in order. Baseball, unlike football or basketball, is played throughout the Western Hemisphere and around the world at a very high level. More than 40 percent of the players under contract to Major and Minor League clubs were born outside the United States. Because baseball is played at a very high level in other countries, the opportunity for international events in baseball is tremendous. Moreover, because international revenues are currently funneled through MLB's Central Fund, such revenues are equally shared by all clubs. Increases in revenues from international events should serve to moderate the level of revenue disparity in the industry.

#### **IV.9. Summary of Recommendations**

- a. MLB should share at least 40 percent and perhaps as much as 50 percent of all local revenues, after local ballpark expenses are deducted, under a straight pool plan;
- b. MLB should levy a 50 percent competitive balance tax on club payrolls that are above \$84 million;
- c. MLB should use unequal distribution of new Central Fund revenue to improve competitive balance, creating a “Commissioner’s Pool” that is allocated to assist low-revenue clubs in meeting a minimum club payroll of \$40 million;
- d. MLB should conduct an annual competitive balance draft of players;
- e. MLB should reform the Rule 4 draft process; and
- f. MLB should utilize strategic franchise relocations when necessary to address the competitive issues facing the game.
- g. MLB should expand its initiatives to develop and promote the game domestically and internationally.

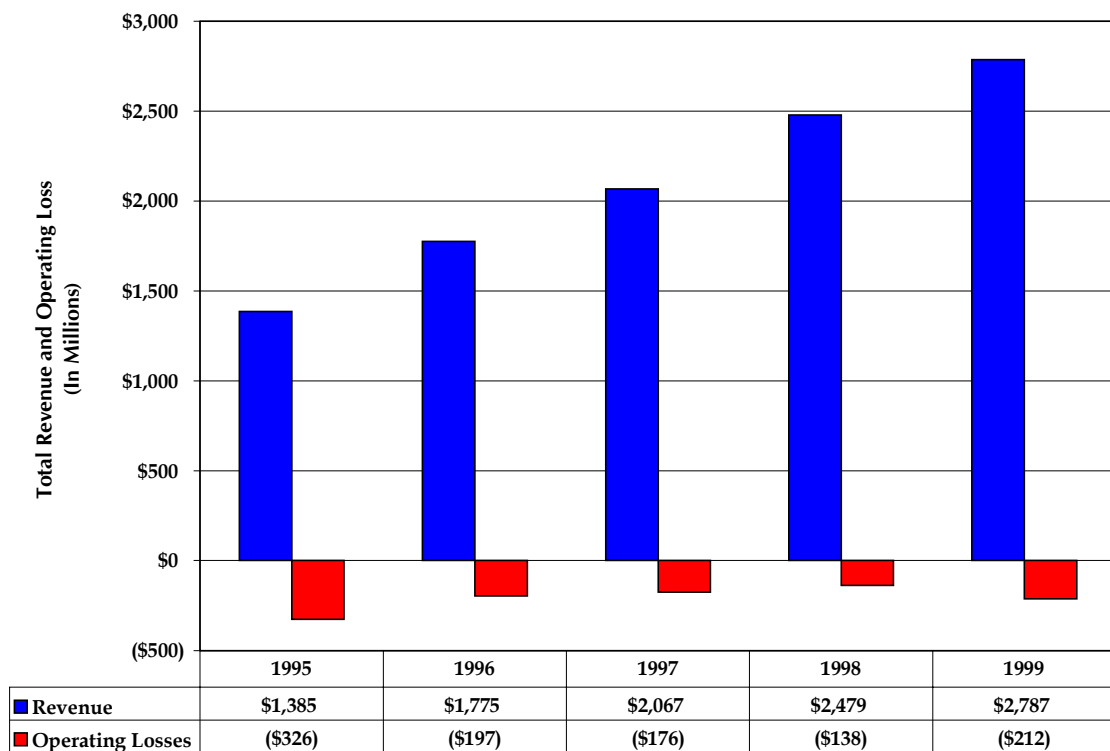
## V. Appendix I

In addition to the analysis of competitive balance which forms the basis of our recommendations, we also considered important issues related to the financial condition of the individual clubs.

### V.1. Club Profitability

The annual revenue and operating income of all clubs within MLB are shown below. Industry revenue has grown impressively in the past five years. Operating income, however, has been another story.

**Chart 14: MLB Total Revenue and Operating Loss, 1995-1999**



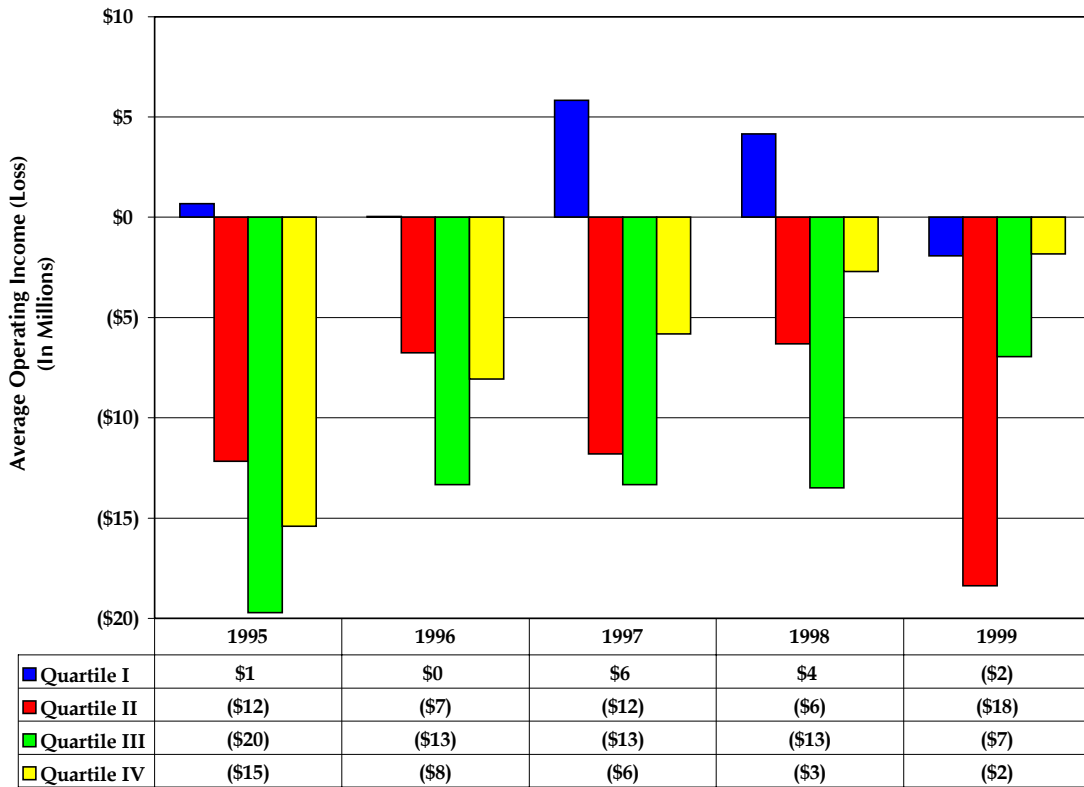
While revenue growth has been steady, operating losses improved only slightly from those sustained in 1995, and remain large. Total MLB losses for the past five years exceed \$1 billion.<sup>26</sup>

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<sup>26</sup> For a list of profitability by club, see Table 30: Total Operating Income (Loss) by Club, 1995-1999, on page 84.

The following chart illustrates the distribution of profits and losses by revenue quartile for the period 1995-1999.

**Chart 15: Average Operating Income (Loss) by Revenue Quartile, 1995-1999<sup>27</sup>**

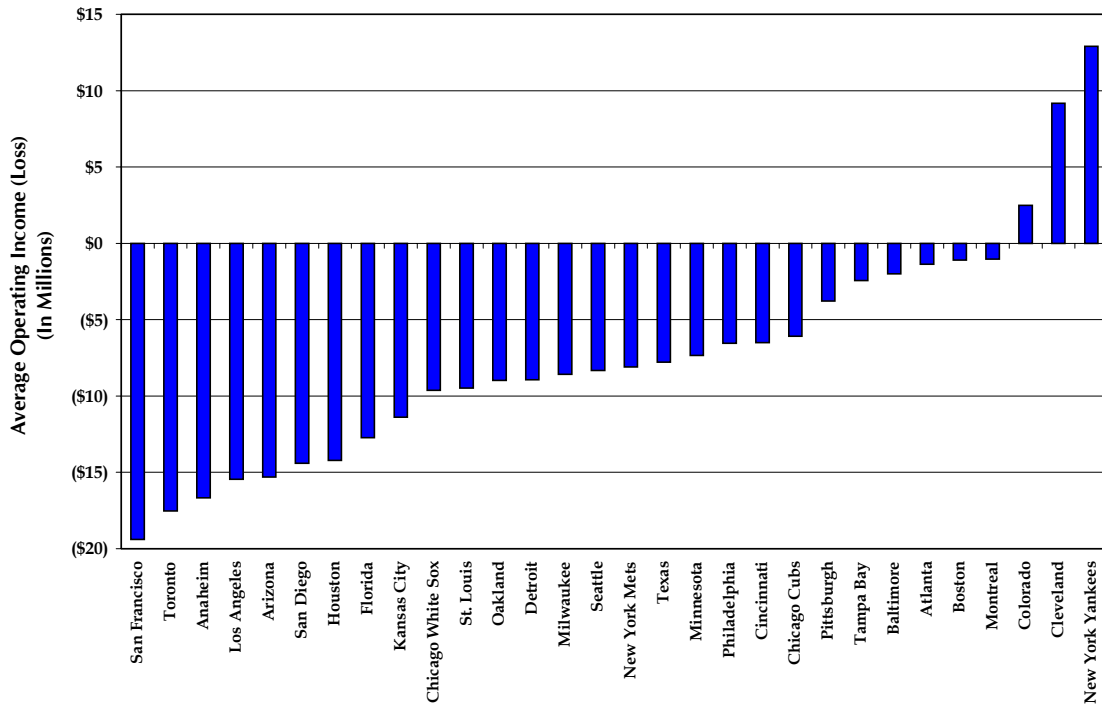


For 1995 through 1999, revenue Quartile IV sustained substantial, but diminishing, annual losses, as payroll costs for that quartile did not escalate nearly as fast as those in the other quartiles. By 1999, Quartile IV nearly broke even, as payroll costs for that quartile did not escalate nearly as fast as those in the other quartiles. Only Quartile I managed to have several profitable years, although the trend of the last three years for this quartile is one of a quick decline from profitability to loss.

<sup>27</sup> Operating income *excludes* significant cost items such as interest and other non-cash charges such as amortization of the initial cost of a Major League roster.

The profitability of each of the 30 clubs over the past five years is shown in the chart below.

**Chart 16: Average Annual Operating Income for All Clubs, 1995-1999**



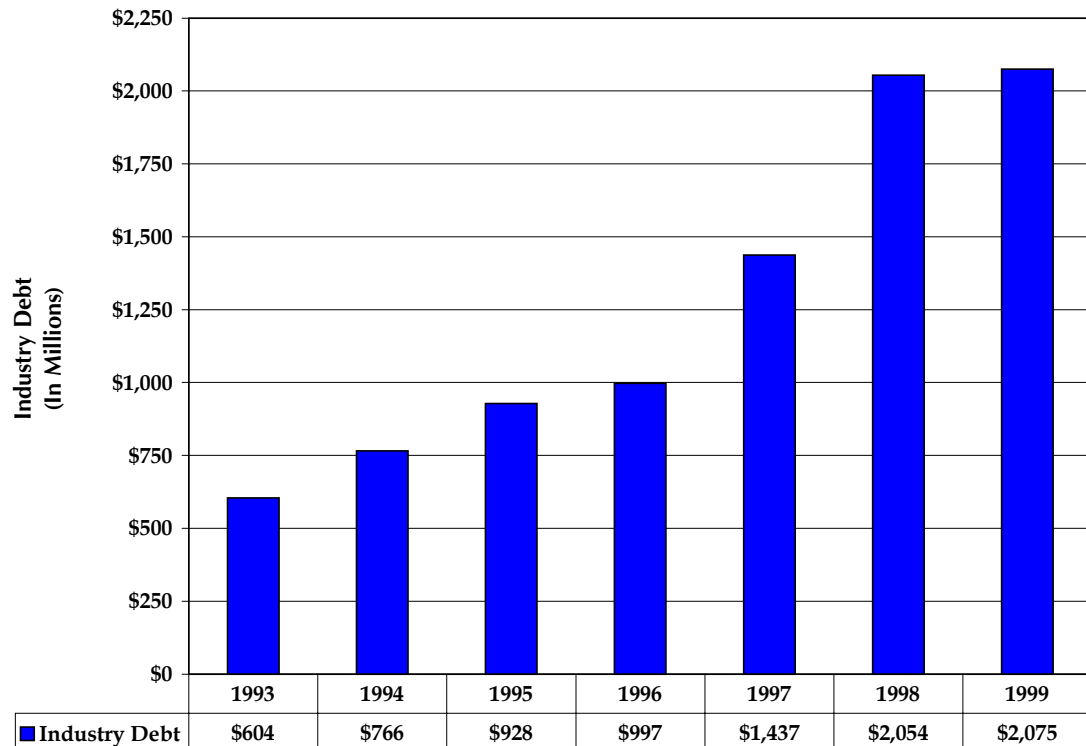
This chart shows that only three clubs, or 10 percent of the industry, have managed to be profitable over the five-year period, while most clubs have sustained large losses.

The worst performing five clubs have total losses for the five-year period of between \$72 million and \$97 million each, while the top two clubs each reported income close to \$50 million. In any event, the few financial winners are overshadowed by the vast majority of financial losers. The cumulative losses of unprofitable clubs substantially exceed the cumulative profits of the small number of profitable clubs.

## V.2. Club Debt

Total industry debt (which includes long-term debt, notes payable and revolving credit) has risen 243 percent from 1993 through 1999, the last year for which information was available. The average club debt in 1999 was approximately \$69 million, and undoubtedly will continue to rise. Corporate debt has to be serviced, and will exert pressure on club economics. Many clubs have reached dangerous levels of debt.

**Chart 17: Industry Debt, 1993-1999**





### V.3. Franchise Values

The following table summarizes certain franchise sales which occurred subsequent to the issuance of the 1992 Joint Economic Study Committee Report. The table shows the purchase and sale dates, as well as the accumulated profits and losses incurred during operations, and the resulting financial return to ownership.

**Table 15: Return to Ownership Upon Sale, 1992-2000**

Rank	Club	Year of Purchase	Year of Sale	Cumulative Operating Profit and (Losses)	Rate of Return <sup>28</sup>
1	Kansas City	1991	2000	\$(105,400)	(9.4%)
2	Oakland	1980	1999	(131,402)	(4.2%)
2	San Diego	1990	1994	(24,921)	(4.2%)
4	Pittsburgh	1985	1996	(76,128)	(3.4%)
5	Florida	1992	1999	(70,484)	(1.0%)
6	Montreal	1991	1999	(14,592)	3.5%
7	Detroit	1983	1992	23,379	5.1%
8	Seattle	1989	1992	(6,622)	5.7%
9	Houston	1984	1992	(23,159)	7.4%
10	Cleveland	1986	2000	37,798	18.1%
11	Texas	1989	1995	3,877	20.8%
12	Cincinnati	1985	1999	6,222	25.0%
13	Baltimore	1989	1993	80,621	39.2%
Note: All dollar figures are in thousands.					

Five of the franchises sold for absolute losses. Three of the franchises generated a modest return for ownership, while the remaining five franchises sold for a substantial premium over the purchase price.

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<sup>28</sup> The rate of return calculations consider purchase and sale prices (which include assumed debt), and operating profits and losses during the holding period. This methodology is consistent with the Joint Economic Study Committee Report prepared in 1992. Certain transactions have been excluded because historical data was not available to perform a complete analysis.

It should be noted that four of the five most successful sales were achieved by franchises that were able to operate profitably over a period of years, while the unsuccessful sales were made by franchises that were unprofitable during the same period. Whatever the case has been historically, today it is by no means assured that franchise appreciation will make an owner whole for operating losses suffered during the period of ownership.

## **VI. Appendix II**

### **VI.1. Blue Ribbon Panel Mission Statement**

For many years fans, commentators and columnists have expressed concern about the issue of competitive balance in MLB. In some of Baseball's lower revenue markets, the expressions of concern have been increasingly urgent. At least as of the early 1990s, however, the quantitative evidence did not support the notion that MLB in the era of free agency suffered from a lack of competitive balance or that the level of competitive balance had deteriorated from earlier eras.

In the mid-1990s, some began to note a change in terms of MLB's competitive results. Payroll disparity increased significantly and many clubs became unable to support high-end payrolls without large operating losses. The highest payroll clubs seemed to become even more dominant on the field and clubs below a certain payroll level appeared to have little or no chance of winning. This phenomenon has been the cause of angst among fans in at least some markets and has been well documented in the popular press.

The Commissioner's Blue Ribbon Panel on Baseball Economics (the "Blue Ribbon Panel") was appointed to examine the question of whether Baseball's current economic system has created a problem of competitive imbalance in the game. As a first step, the Blue Ribbon Panel must determine whether the level of competitive balance since the report of the Joint Economic Study Committee in 1992 is markedly different than that observed during earlier periods. If so, the Blue Ribbon Panel will attempt to decide: (1) whether the change in the level of competitive balance is due to structural characteristics of Baseball's economic system or due to other, less permanent forces which are likely to change over time; and (2) whether a lack of competitive balance has an adverse impact on the ability of clubs to grow the game, secure new facilities and produce operating stability. If the Blue Ribbon Panel concludes that the competitive balance problem is related to the structural characteristics of Baseball's economic system and poses a threat to the game, the Blue Ribbon Panel will explain its analysis and will recommend changes, if appropriate, to the 30 Major League clubs designed to alter such characteristics.

In undertaking the inquiry described in the preceding paragraph, the Blue Ribbon Panel will consider all available economic data, indicators and variables, including those related to club profitability and franchise values. The Blue Ribbon Panel's focus, however, will be to determine the competitive state of the game and to recommend solutions designated to address any identifiable problem.

Finally, the Blue Ribbon Panel hopes to solicit input and information from many interested groups, including the Major League Baseball Players Association (“MLBPA”). Out of deference to the MLBPA’s collective bargaining rights, however, the Blue Ribbon Panel’s report will take the form of a recommendation to ownership.

**VI.2. Members of The Commissioner’s Blue Ribbon Panel on Baseball Economics**

<b>The Blue Ribbon Panel</b>		
<b>Independent Members</b>	<b>Club Representatives</b>	
	<b>Name</b>	<b>Club</b>
Richard C. Levin	Bill DeWitt	St. Louis
Senator George J. Mitchell	John Harrington	Boston
Paul A. Volcker	Dick Jacobs	Cleveland
George F. Will	Sandy Litvak	Anaheim
	Tony Tavares	Anaheim
	Larry Lucchino	San Diego
	Andy MacPhail	Chicago Cubs
	Kevin McClatchy	Pittsburgh
	Jerry McMorris	Colorado
	Dave Montgomery	Philadelphia
	Vince Namoli	Tampa Bay
	Tom Schieffer <sup>29</sup>	Texas

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<sup>29</sup> Replaced by Tom Hicks during the deliberations of the Blue Ribbon Panel.

### **VI.3. Biographies of Independent Members**

#### **Richard C. Levin**

Richard C. Levin is the Frederick William Beinecke Professor of Economics at Yale and since 1993 has served as the twenty-second president of the University.

Mr. Levin was born in San Francisco, California in 1947. He graduated from Lowell High School in San Francisco, received his bachelor's degree in history from Stanford University in 1968, and studied politics and philosophy at Oxford University, where he earned a B. Litt. degree. In 1974, he received his Ph.D. in economics from Yale and that same year he was named to the Yale Faculty. He holds honorary degrees from Princeton, Harvard and Oxford Universities.

A specialist in the economics of technological change, Mr. Levin has written extensively on such diverse subjects as the patent system, industrial research and development, and the effects of antitrust and public regulation on private industry. In the mid-1980s he directed a major effort to gather evidence on the incentives for 130 manufacturing industries' investments in research and development. He is currently directing a National Academy of Sciences study of the economic impact of recent developments in patent law.

As president, Mr. Levin has invested over \$1.2 billion in the renovation of Yale's historic campus, announced a \$1 billion initiative to strengthen the University's science and engineering programs, and designed innovative partnerships to advance economic development, home ownership, and public education in New Haven.

#### **George J. Mitchell**

Senator George J. Mitchell was appointed to the United States Senate in 1980 to complete the unexpired term of Senator Edmund S. Muskie, who resigned to become Secretary of State. Mitchell was elected to a full term in the Senate in 1982 and was re-elected in 1988 with 81 percent of the vote, the largest margin in Maine history. Senator Mitchell served in the Senate for 14 years, including six as the Senate Majority Leader.

Senator Mitchell received his undergraduate degree from Bowdoin College in 1954, and then served in Berlin Germany as an officer in the United States Army until 1956. He received an LL.B degree from Georgetown University Law Center in 1960. From 1960 to 1962, he was a trial lawyer in the Justice Department in Washington, D.C. From 1962 to 1965, he served as Executive Assistant to Senator Muskie.

In 1965, Senator Mitchell returned to Maine where he engaged in the private practice of law until 1977. He was then appointed United States Attorney for Maine, a position he held until 1979, when he was appointed United States District Judge for Maine. He resigned that position in 1980 to accept appointment to the United States Senate.

Upon leaving the Senate, Senator Mitchell joined the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand. He serves as a director of The Walt Disney Company, FedEx Corporation, Xerox Corporation, UNUMProvident Corporation, Casella Waste Systems, Inc., Unilever, Staples, Inc., and Starwood Hotels and Resorts.

Senator Mitchell serves as the Chancellor of the Queens University of Northern Ireland and as the President of the Economic Club of Washington. He served as Chairman of the Special Commission investigating allegations of impropriety in the bidding process for the Olympic games; as Chairman of the International Crisis Group, a nonprofit organization dedicated to the prevention of crises in international affairs; and as Chairman of the National Health Care Commission.

Recently Senator Mitchell served as Chairman of the peace negotiations in Northern Ireland. Under his leadership an historic accord, ending decades of conflict, was agreed to by the Governments of Ireland and the United Kingdom and the political parties of Northern Ireland. In May 1998, the Agreement was overwhelmingly endorsed by the voters of Ireland, North and South, in a referendum.

### **Paul A. Volcker**

Paul A. Volcker was born in 1927 in Cape May, New Jersey. He graduated from Princeton University in 1949, and in 1951 he received an M.A. in political economy and government from the Harvard University Graduate School of Public Administration. He also attended the London School of Economics as a post-graduate student in 1951-52 and has received honorary degrees from a number of universities, including his three Alma Maters, Princeton, Harvard and London University.

In the course of his career, Mr. Volcker worked in the Federal Government for almost 30 years, culminating in two terms as Chairman of the Board of Governors of the Federal Reserve System from 1979 to 1987. Earlier, he served as Under Secretary of The Treasury for Monetary Affairs and as President of the Federal Reserve Bank of New York.

Mr. Volcker retired as Chairman and CEO of Wolfensohn & Co., Inc., upon the merger of that firm in 1996 with the Bankers Trust Company. He is currently serving as chairman, director of, or consultant to, a number of corporations and non-profit organizations.

Mr. Volcker lives in New York City and has a son, a daughter and four grandchildren.

### **George F. Will**

Born in Champaign, Illinois, in 1941, George F. Will was educated at Trinity College in Hartford, Connecticut, Oxford University and Princeton University, from which he received his Ph.D. in 1968. After teaching political philosophy at Michigan State University and the University of Toronto, he worked on the staff of the United States Senate from 1970 through 1972. From 1973 through 1975 he was Washington editor of National Review. In 1973, he began a syndicated column that now appears in approximately 480 newspapers. Since 1976, he has been a contributing editor of Newsweek, for which he writes a biweekly column. He received the Pulitzer Prize for commentary in 1977. A recipient of honorary degrees from over a dozen colleges and universities, of the William Allen White Award from the University of Kansas and the Madison Medal from Princeton, he has twice taught political philosophy at Harvard. He is a member of the board of directors of the Baltimore Orioles and the San Diego Padres.





## VII. Appendix III

### VII.1. Definitions

*Local Revenue* consists of gate receipts, television, radio and cable fees, ballpark concessions, advertising and publications, parking, suite rentals, postseason, spring training and other baseball revenues. Per Annual Ernst & Young Combined Summary of Operations and Other Financial Information.

*Central Fund* revenue is the money distributed to clubs from national licensing fees. Per Annual Ernst & Young Combined Summary of Operations and Other Financial Information.

*Revenue sharing* is accounted for as follows:

1996: Transfer payments/(receipts) as defined in the Basic Agreement: Hybrid Plan implemented on a 60 percent basis among 26 participant clubs. Per Ernst & Young 1996 draft Audited Financial Information Questionnaire ("FIQ").

1997: Transfer payments/(receipts) as defined in the Basic Agreement: Hybrid Plan implemented on a 60 percent basis among 26 participant clubs. Per Ernst & Young 1997 draft Audited FIQ.

1998: Transfer payments/(receipts) as defined in the Basic Agreement: Split Pool Plan implemented on an 80 percent basis among 28 participant clubs and \$18 million in Supplemental Pool Payments. Per Final 1998 Pre-Audit FIQ.

1999: Transfer payments/(receipts) as defined in the Basic Agreement: Split Pool Plan implemented on an 85 percent basis among 28 participant clubs and \$18 million in Supplemental Pool Payments. Per June 15, 2000 Revenue Sharing Report of 1999 Revenue Sharing distributions.

*Payroll* is calculated from the active 25-man roster (including players on the disabled list) as of August 31 and termination pay where applicable. The MLB Labor Relations Department defines the 25-man roster payrolls to include guaranteed base salary, earned incentives and a pro-rated allocation of signing bonuses. MLB also uses a "luxury tax" payroll calculation that includes the pro-rated average annual value of multi-year player contracts, burdened by a pro rata share of the industry's cost of fringe benefits, including health insurance and the contribution to the player pension plan and other types of benefits. "Luxury tax" payroll numbers were used in the luxury tax recommendations. 25-man roster payroll numbers are used elsewhere in this document.

## VII.2. 1995 Season Detailed Data

**Table 16: 1995 Games Won and Lost**

	1995 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,091	401	257	186	148	104	72	44	23	22	19	2	0
Games Lost	956	264	169	132	105	76	51	29	15	13	10	2	0
Total Games	2,047	665	426	318	253	180	123	73	38	35	29	4	0
% Won	53%	60%	60%	58%	58%	58%	59%	60%	61%	63%	66%	50%	0%

	1995 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	956	299	200	140	104	75	49	35	20	16	14	1	0
Games Lost	1,091	360	235	184	143	101	73	37	19	17	14	2	0
Total Games	2,047	659	435	324	247	176	122	72	39	33	28	3	0
% Won	47%	45%	46%	43%	42%	43%	40%	49%	51%	48%	50%	33%	0%

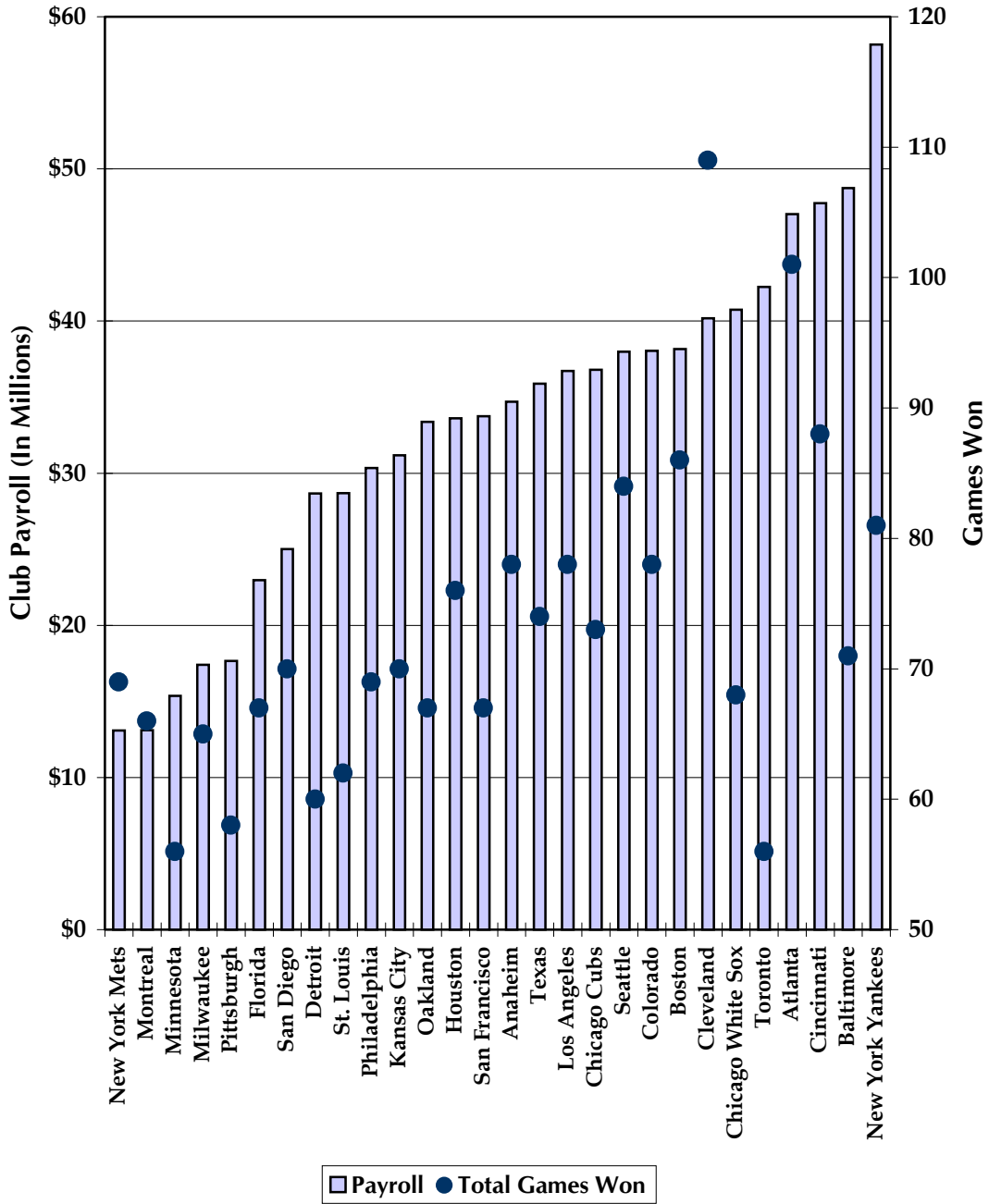
	1995 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,047	700	457	326	252	179	121	79	43	38	33	3	0
Games Lost	2,047	624	404	316	248	177	124	66	34	30	24	4	0
Total Games	2,047	1,324	861	642	500	356	245	145	77	68	57	7	0
% Won	N/A	53%	53%	51%	50%	50%	49%	54%	56%	56%	58%	43%	0%
% of Games Played	N/A	65%	42%	31%	24%	17%	12%	7%	4%	3%	3%	0%	0%

Note: Payroll Advantage is expressed as a percentage of salary that one team enjoys over another. So, a 25 percent Payroll Advantage means that those home clubs (above, in 1995-1999) that had at least a 25 percent larger payroll than the visiting club won 2,459 of 4,074 (or 60 percent) of games played.

**Table 17: 1995 Season Data, by Player Payroll**

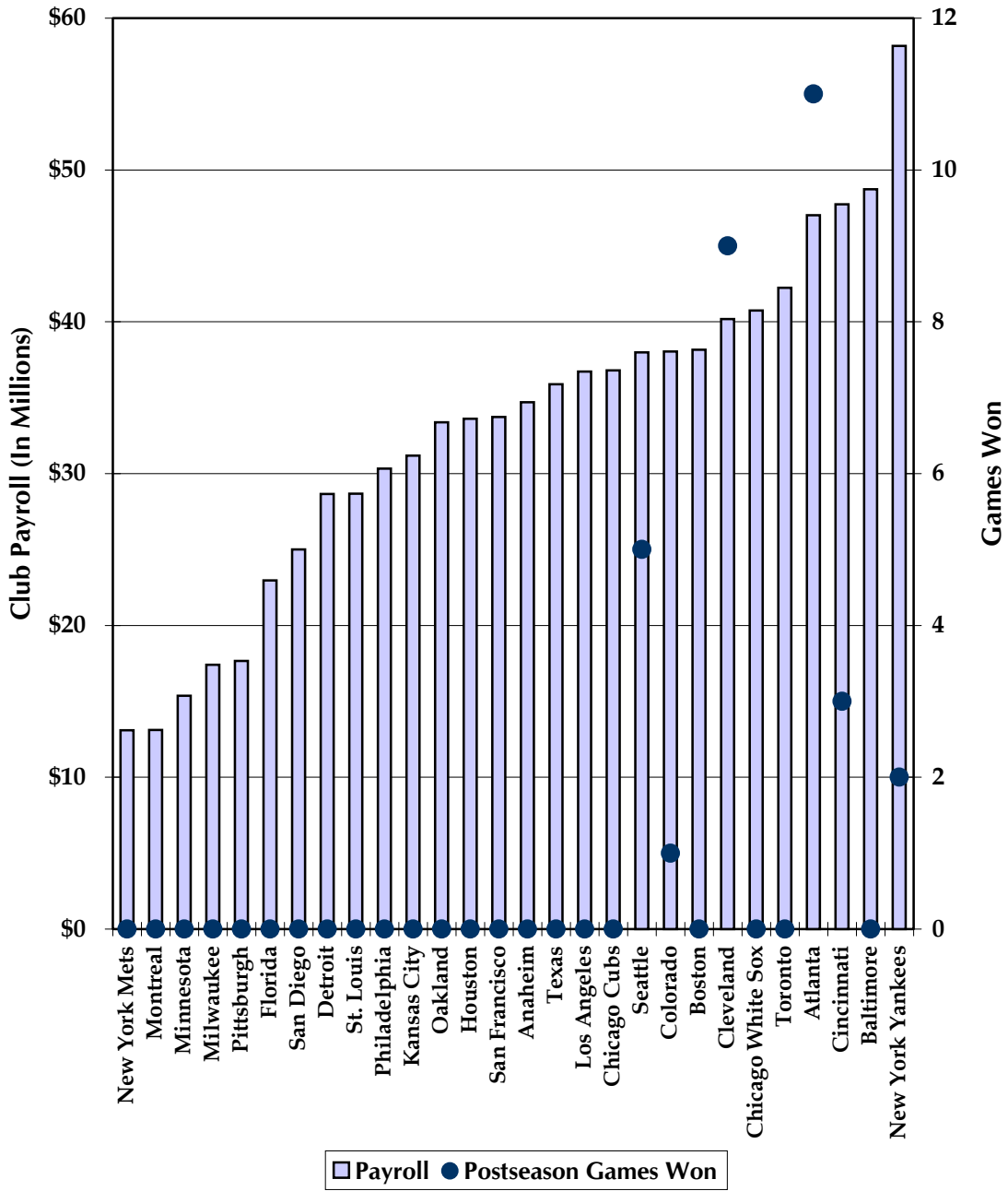
				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	New York Mets	\$52,682,351	\$13,097,944	69	75
2	Montreal	27,599,102	13,116,557	66	78
3	Minnesota	29,187,338	15,362,750	56	88
4	Milwaukee	32,873,317	17,407,384	65	79
5	Pittsburgh	24,027,014	17,665,833	58	86
6	Florida	43,897,596	22,961,781	67	76
7	San Diego	25,881,778	25,008,834	70	74
8	Detroit	35,177,374	28,663,667	60	84
9	St. Louis	39,408,320	28,679,250	62	81
10	Philadelphia	48,899,242	30,333,350	69	75
11	Kansas City	33,085,801	31,181,334	70	74
12	Oakland	35,067,213	33,372,722	67	77
13	Houston	29,393,531	33,614,668	76	68
14	San Francisco	40,429,065	33,738,683	67	77
15	Anaheim	44,105,974	34,702,577	78	67
16	Texas	57,708,198	35,888,726	74	70
17	Los Angeles	69,801,760	36,725,956	78	66
18	Chicago Cubs	54,779,670	36,797,696	73	71
19	Seattle	38,144,232	37,984,610	79	66
20	Colorado	75,071,720	38,039,871	77	67
21	Boston	67,410,359	38,157,750	86	58
22	Cleveland	73,277,276	40,180,750	100	44
23	Chicago White Sox	56,295,537	40,750,782	68	76
24	Toronto	60,366,009	42,233,500	56	88
25	Atlanta	76,142,365	47,023,444	90	54
26	Cincinnati	40,118,141	47,739,109	85	59
27	Baltimore	76,475,016	48,739,636	71	73
28	New York Yankees	97,679,801	58,165,252	79	65
	Average	\$49,463,754	\$33,119,086		
	Median	\$44,001,785	\$34,220,630		
	Total	\$1,384,985,100	\$927,334,416		

Chart 18: 1995 Club Payroll and Games Won<sup>30</sup>



<sup>30</sup> Includes postseason games.

Chart 19: 1995 Club Payroll and Postseason Games Won



### VII.3. 1996 Season Detailed Data

**Table 18: 1996 Games Won and Lost**

	1996 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,241	463	313	245	176	119	76	59	51	29	23	16	12
Games Lost	1,057	324	223	172	111	61	41	28	25	21	14	8	6
Total Games	2,298	787	536	417	287	180	117	87	76	50	37	24	18
% Won	54%	59%	58%	59%	61%	66%	65%	68%	67%	58%	62%	67%	67%

	1996 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,057	376	261	196	127	78	46	34	29	21	18	14	9
Games Lost	1,241	408	278	223	159	104	73	54	46	30	21	12	10
Total Games	2,298	784	539	419	286	182	119	88	75	51	39	26	19
% Won	46%	48%	48%	47%	44%	43%	39%	39%	39%	41%	46%	54%	47%

	1996 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,298	839	574	441	303	197	122	93	80	50	41	30	21
Games Lost	2,298	732	501	395	270	165	114	82	71	51	35	20	16
Total Games	2,298	1,571	1,075	836	573	362	236	175	151	101	76	50	37
% Won	N/A	53%	53%	53%	53%	54%	52%	53%	53%	50%	54%	60%	57%
% of Games Played	N/A	68%	47%	36%	25%	16%	10%	8%	7%	4%	3%	2%	2%

**Table 19: 1996 Season Data, by Player Payroll**

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Milwaukee	\$44,961,289	\$11,701,000	80	82
2	Pittsburgh	40,671,461	16,994,180	73	89
3	Montreal	39,848,051	17,264,500	88	74
4	Detroit	43,308,162	17,955,500	53	109
5	Kansas City	44,553,484	19,980,250	75	86
6	Minnesota	44,742,777	21,254,000	78	84
7	Oakland	44,488,734	22,524,093	78	84
8	New York Mets	70,468,314	24,890,167	71	91
9	Anaheim	48,998,226	25,140,142	70	91
10	Florida	51,702,589	25,311,000	80	82
11	Toronto	64,882,443	28,778,577	74	88
12	Houston	50,608,710	29,613,000	82	80
13	Philadelphia	60,377,781	30,403,458	67	95
14	Chicago Cubs	64,090,691	32,605,000	76	86
15	San Diego	48,619,541	33,376,026	91	71
16	San Francisco	55,922,123	34,646,793	68	94
17	Los Angeles	81,294,711	37,313,500	90	72
18	Boston	79,613,004	38,516,402	85	77
19	St. Louis	66,201,355	38,730,666	88	74
20	Colorado	91,957,791	41,108,990	83	79
21	Texas	76,734,346	41,330,028	90	72
22	Seattle	60,348,951	43,131,001	85	76
23	Cincinnati	46,754,916	43,696,946	81	81
24	Chicago White Sox	69,620,406	44,827,833	85	77
25	Cleveland	96,752,242	47,686,907	99	62
26	Atlanta	85,592,131	53,797,000	96	66
27	Baltimore	94,123,404	55,127,855	88	74
28	New York Yankees	107,928,741	61,511,870	92	70
	Average	\$63,398,799	\$33,543,453		
	Median	\$60,363,366	\$32,990,513		
	Total	\$1,775,166,374	\$939,216,684		

Chart 20: 1996 Club Payroll and Games Won

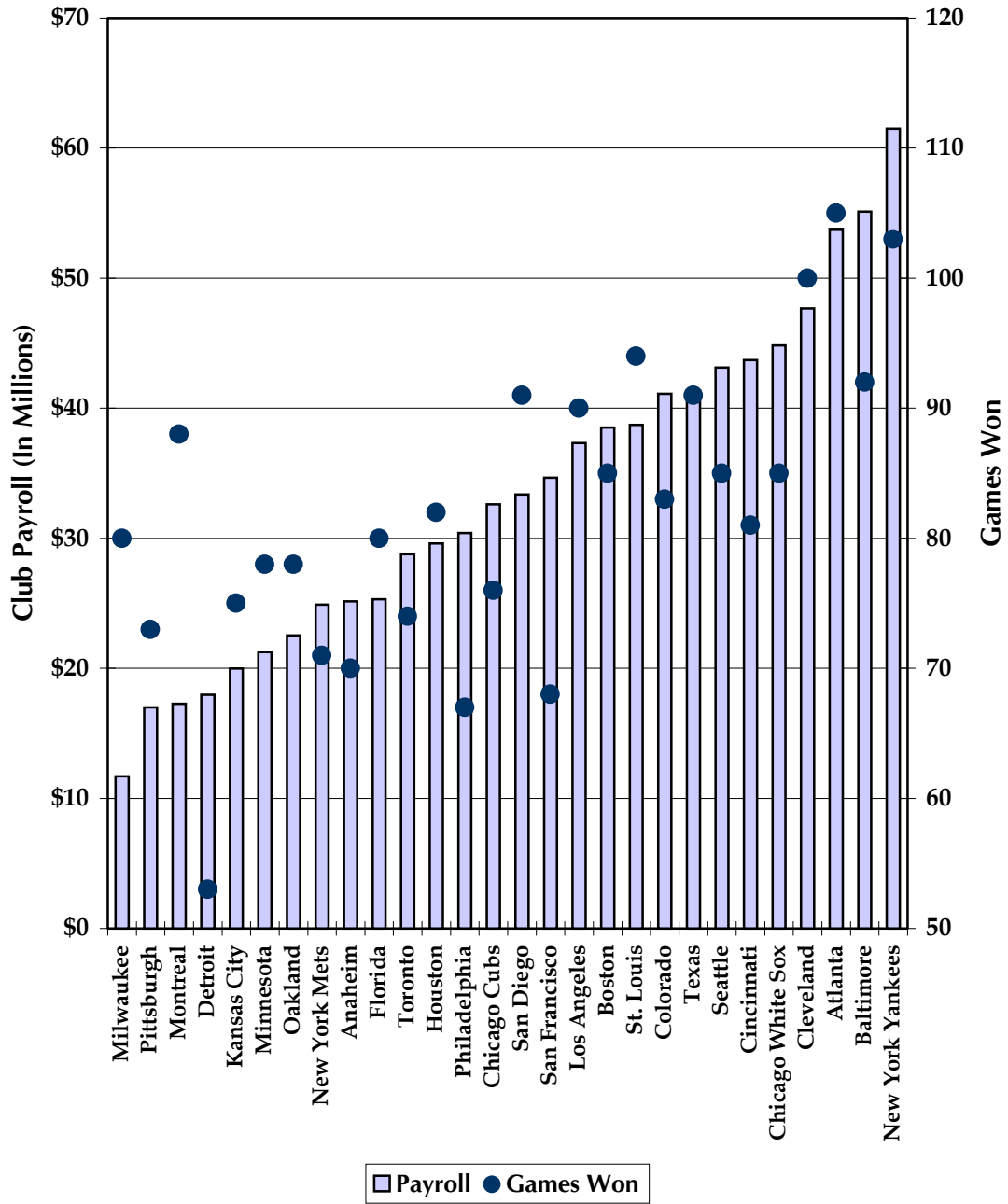
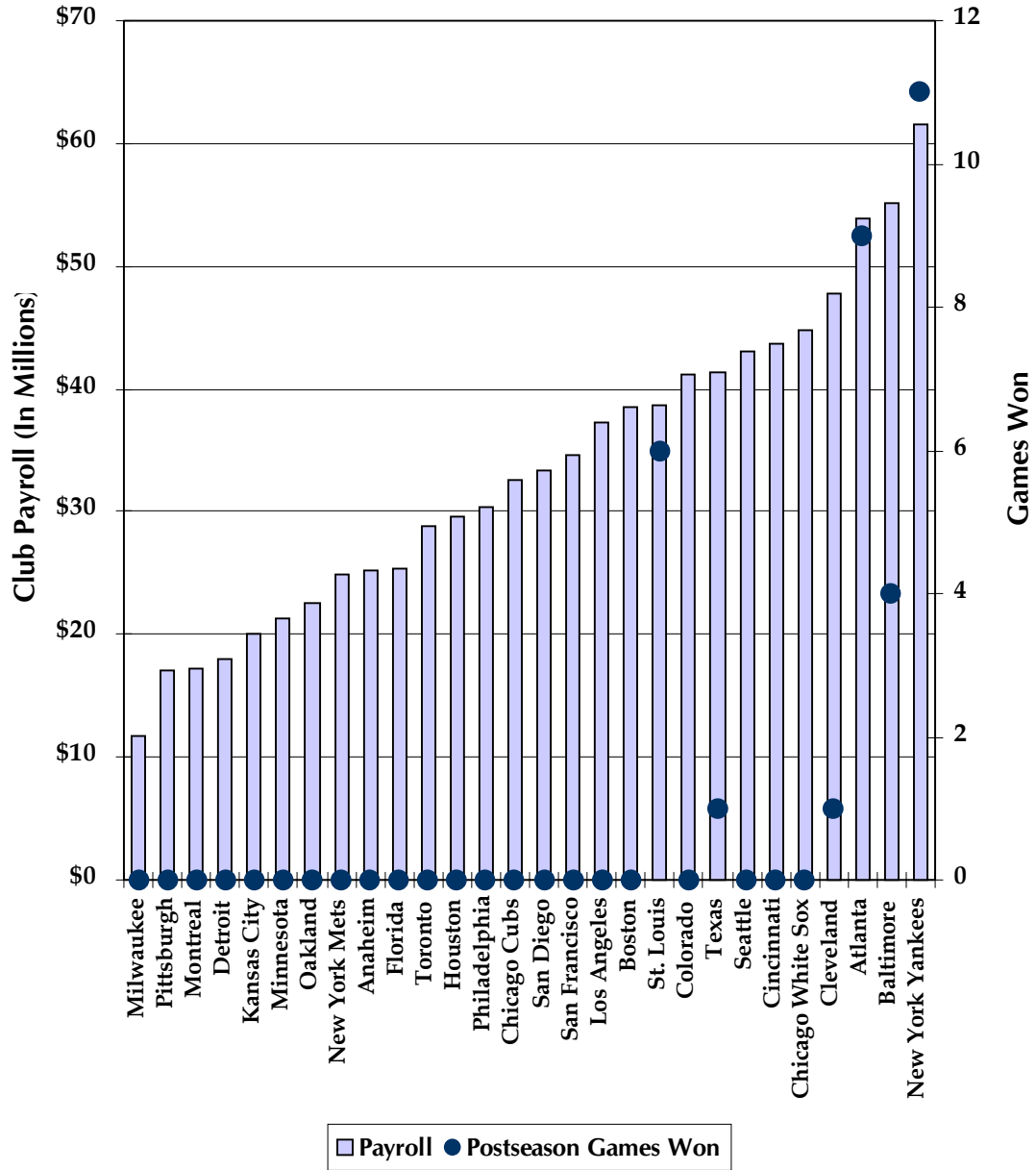




Chart 21: 1996 Club Payroll and Postseason Games Won



#### VII.4. 1997 Season Detailed Data

**Table 20: 1997 Games Won and Lost**

	1997 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,230	451	320	211	168	127	108	91	69	59	47	45	45
Games Lost	1,070	316	201	142	114	90	75	64	52	46	35	29	29
Total Games	2,300	767	521	353	282	217	183	155	121	105	82	74	74
% Won	53%	59%	61%	60%	60%	59%	59%	59%	57%	56%	57%	61%	61%

	1997 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,070	364	246	162	128	103	81	71	50	41	31	29	28
Games Lost	1,230	401	276	185	153	119	101	85	69	60	47	43	41
Total Games	2,300	765	522	347	281	222	182	156	119	101	78	72	69
% Won	47%	48%	47%	47%	46%	46%	45%	46%	42%	41%	40%	40%	41%

	1997 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,300	815	566	373	296	230	189	162	119	100	78	74	73
Games Lost	2,300	717	477	327	267	209	176	149	121	106	82	72	70
Total Games	2,300	1,532	1,043	700	563	439	365	311	240	206	160	146	143
% Won	N/A	53%	54%	53%	53%	52%	52%	52%	50%	49%	49%	51%	51%
% of Games Played	N/A	67%	45%	30%	24%	19%	16%	14%	10%	9%	7%	6%	6%

**Table 21: 1997 Season Data, by Player Payroll**

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Oakland	\$52,193,984	\$7,879,889	65	97
2	Pittsburgh	49,033,959	15,124,166	79	83
3	Montreal	43,594,575	18,010,500	78	84
4	Detroit	46,940,759	20,985,500	79	83
5	Milwaukee	50,419,707	26,564,840	78	83
6	Chicago Cubs	72,060,457	30,791,000	68	94
7	Philadelphia	60,869,479	31,102,439	68	94
8	Minnesota	49,520,388	32,197,500	68	94
9	San Diego	59,114,047	32,765,172	76	86
10	Kansas City	50,096,992	33,868,149	67	94
11	Houston	56,916,017	34,932,500	84	78
12	New York Mets	78,411,697	34,985,330	88	74
13	Cincinnati	53,523,351	38,206,000	76	86
14	Boston	85,228,949	40,611,351	78	84
15	Chicago White Sox	78,039,726	41,849,500	80	81
16	San Francisco	62,505,217	43,067,378	90	72
17	Texas	89,060,876	44,591,013	77	85
18	Colorado	105,262,534	46,093,301	83	79
19	Seattle	79,654,831	46,298,970	90	72
20	Anaheim	58,035,457	46,684,364	84	78
21	Los Angeles	93,859,924	48,472,321	88	74
22	Toronto	66,731,825	48,964,833	76	86
23	St. Louis	74,356,520	50,224,167	73	89
24	Florida	69,164,893	52,465,000	92	70
25	Atlanta	114,791,727	53,111,000	101	61
26	Cleveland	113,748,690	58,865,056	86	75
27	Baltimore	118,968,601	64,611,399	98	64
28	New York Yankees	135,117,314	73,389,577	96	66
	Average	\$73,829,375	\$39,882,579		
	Median	\$67,948,359	\$41,230,426		
	Total	\$2,067,222,496	\$1,116,712,215		

Chart 22: 1997 Club Payroll and Games Won

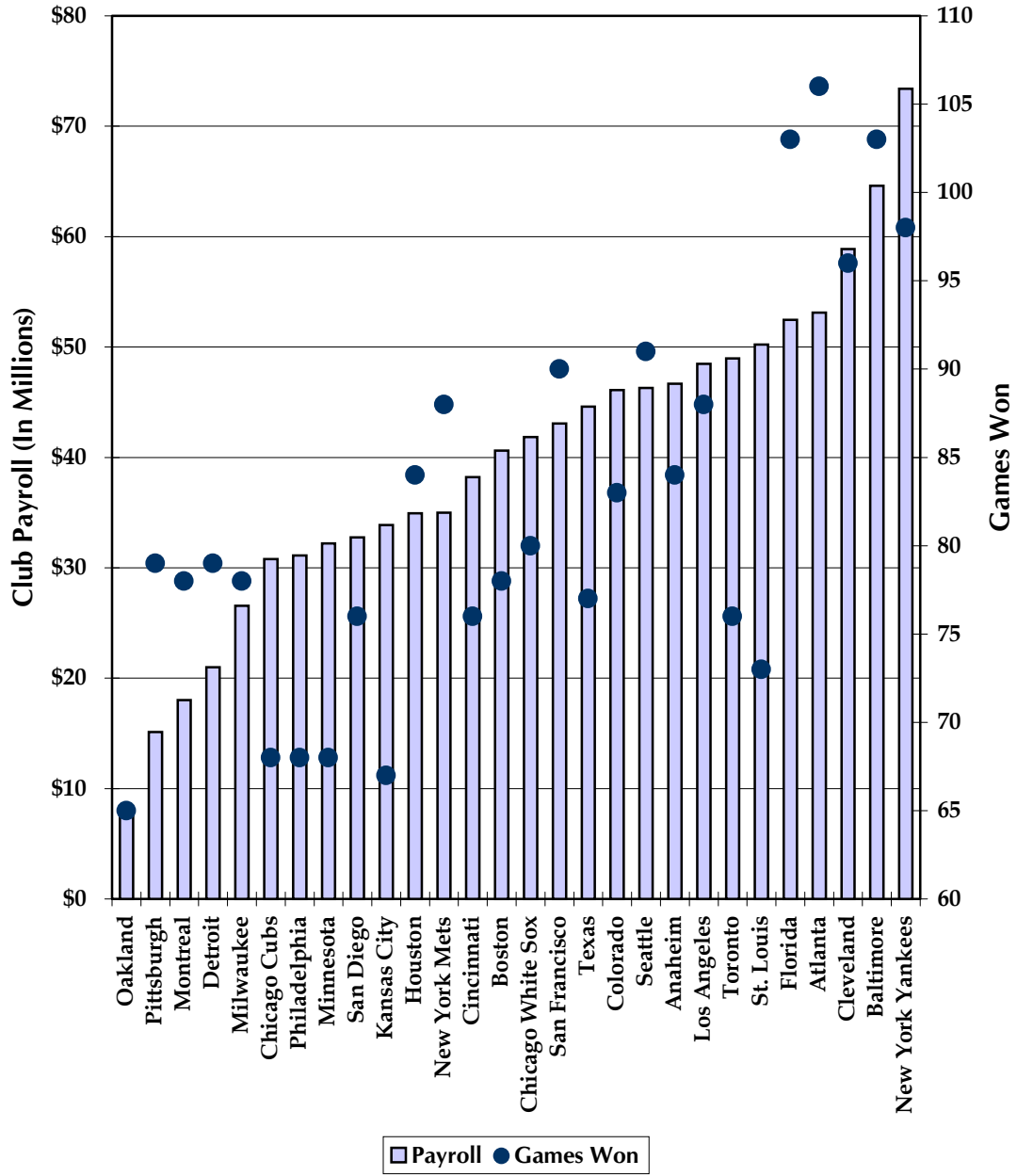
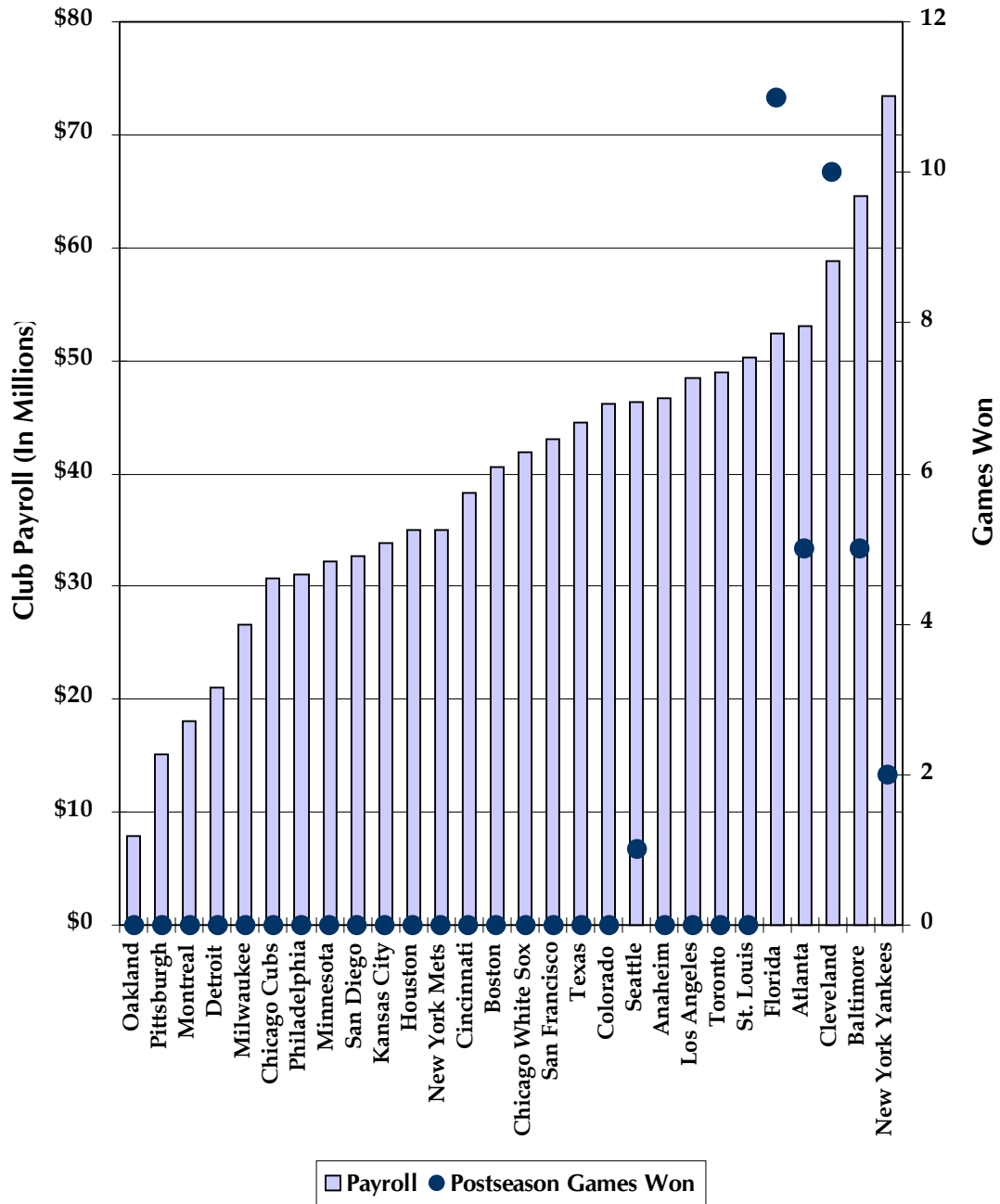


Chart 23: 1997 Club Payroll and Postseason Games Won



## VII.5. 1998 Season Detailed Data

**Table 22: 1998 Games Won and Lost**

	1998 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,321	576	441	339	295	248	198	150	133	113	93	69	60
Games Lost	1,139	332	252	183	154	126	95	77	58	45	35	29	24
Total Games	2,460	908	693	522	449	374	293	227	191	158	128	98	84
% Won	54%	63%	64%	65%	66%	66%	68%	66%	70%	72%	73%	70%	71%

	1998 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,139	410	292	208	183	153	125	102	84	69	59	46	36
Games Lost	1,321	532	419	299	243	201	157	116	94	73	62	43	35
Total Games	2,460	942	711	507	426	354	282	218	178	142	121	89	71
% Won	46%	44%	41%	41%	43%	43%	44%	47%	47%	49%	49%	52%	51%

	1998 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,460	986	733	547	478	401	323	252	217	182	152	115	96
Games Lost	2,460	864	671	482	397	327	252	193	152	118	97	72	59
Total Games	2,460	1,850	1,404	1,029	875	728	575	445	369	300	249	187	155
% Won	N/A	53%	52%	53%	55%	55%	56%	57%	59%	61%	61%	61%	62%
% of Games Played	N/A	75%	57%	42%	36%	30%	23%	18%	15%	12%	10%	8%	6%

**Table 23: 1998 Season Data, by Player Payroll**

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Montreal	\$44,978,262	\$8,317,500	65	97
2	Pittsburgh	54,442,132	13,695,000	69	93
3	Oakland	53,030,714	18,585,114	74	88
4	Florida	61,504,202	19,141,000	54	108
5	Cincinnati	57,381,920	20,707,333	77	85
6	Minnesota	49,261,951	22,027,500	70	92
7	Detroit	57,569,478	23,318,980	65	97
8	Tampa Bay	79,203,791	27,645,000	63	99
9	Philadelphia	67,641,549	29,922,500	75	87
10	Arizona	101,517,101	32,814,500	65	97
11	Kansas City	56,088,749	35,610,000	72	89
12	Milwaukee	61,179,263	37,254,036	74	88
13	Toronto	65,086,548	37,618,500	88	74
14	Chicago White Sox	75,421,056	37,855,000	80	82
15	Seattle	82,478,317	44,845,014	76	85
16	St. Louis	92,134,829	47,608,948	83	79
17	Colorado	110,231,422	47,959,648	77	85
18	San Francisco	66,054,695	48,339,715	89	74
19	Houston	65,777,948	48,354,000	102	60
20	Chicago Cubs	82,700,377	51,061,000	90	73
21	San Diego	76,216,265	53,081,166	98	64
22	Anaheim	83,188,783	54,190,500	85	77
23	Cleveland	125,735,154	56,843,441	89	73
24	New York Mets	104,041,928	58,710,665	88	74
25	Boston	105,094,751	59,547,000	92	70
26	Los Angeles	100,054,984	60,731,667	83	79
27	Atlanta	118,137,441	61,840,254	106	56
28	Texas	100,768,291	62,755,368	88	74
29	New York Yankees	157,865,696	73,963,698	114	48
30	Baltimore	124,063,756	77,320,921	79	83
	Average	\$82,628,378	\$42,388,832		
	Median	\$77,710,028	\$46,226,981		
	Total	\$2,478,851,353	\$1,271,664,968		

Chart 24: 1998 Club Payroll and Games Won

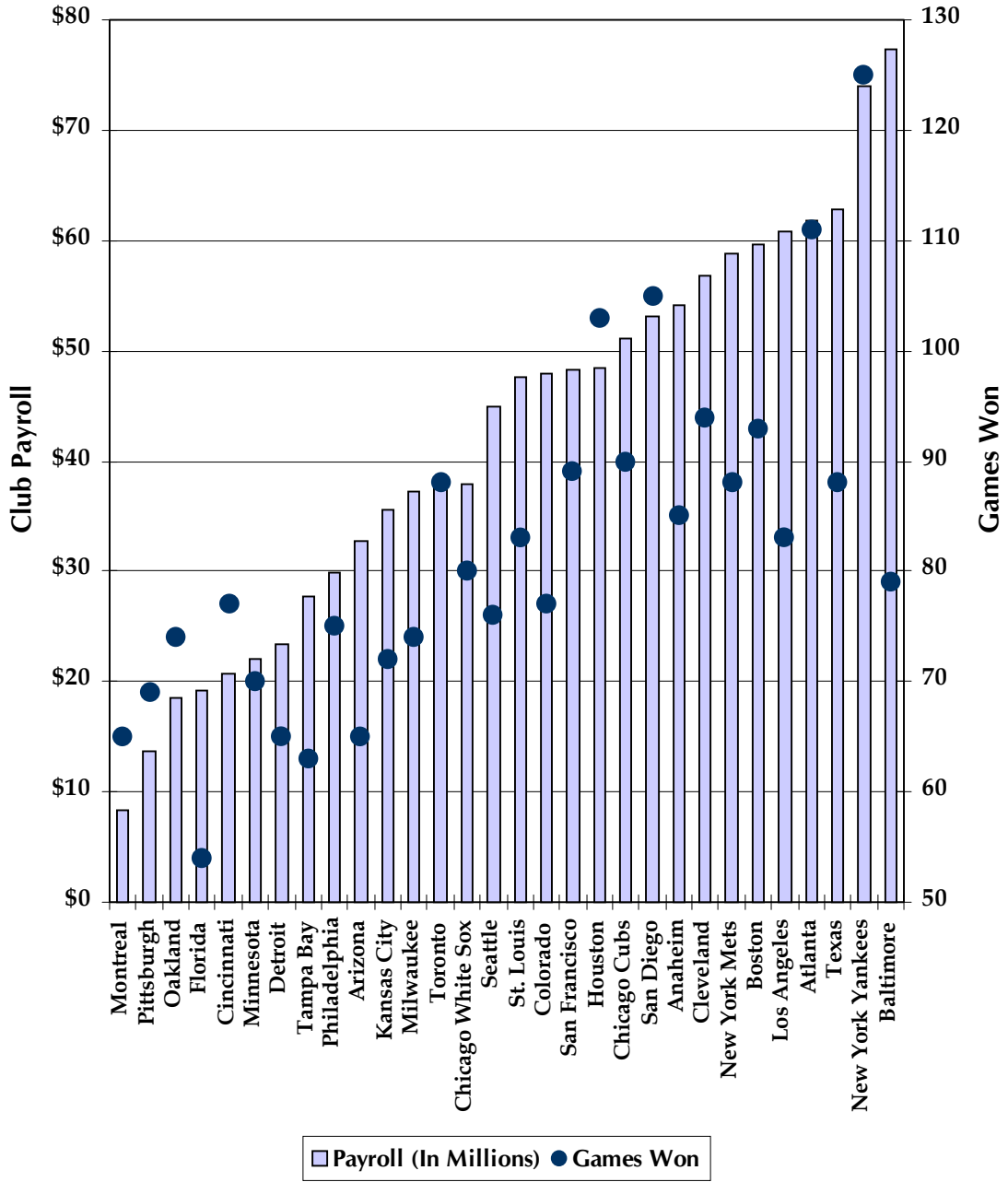
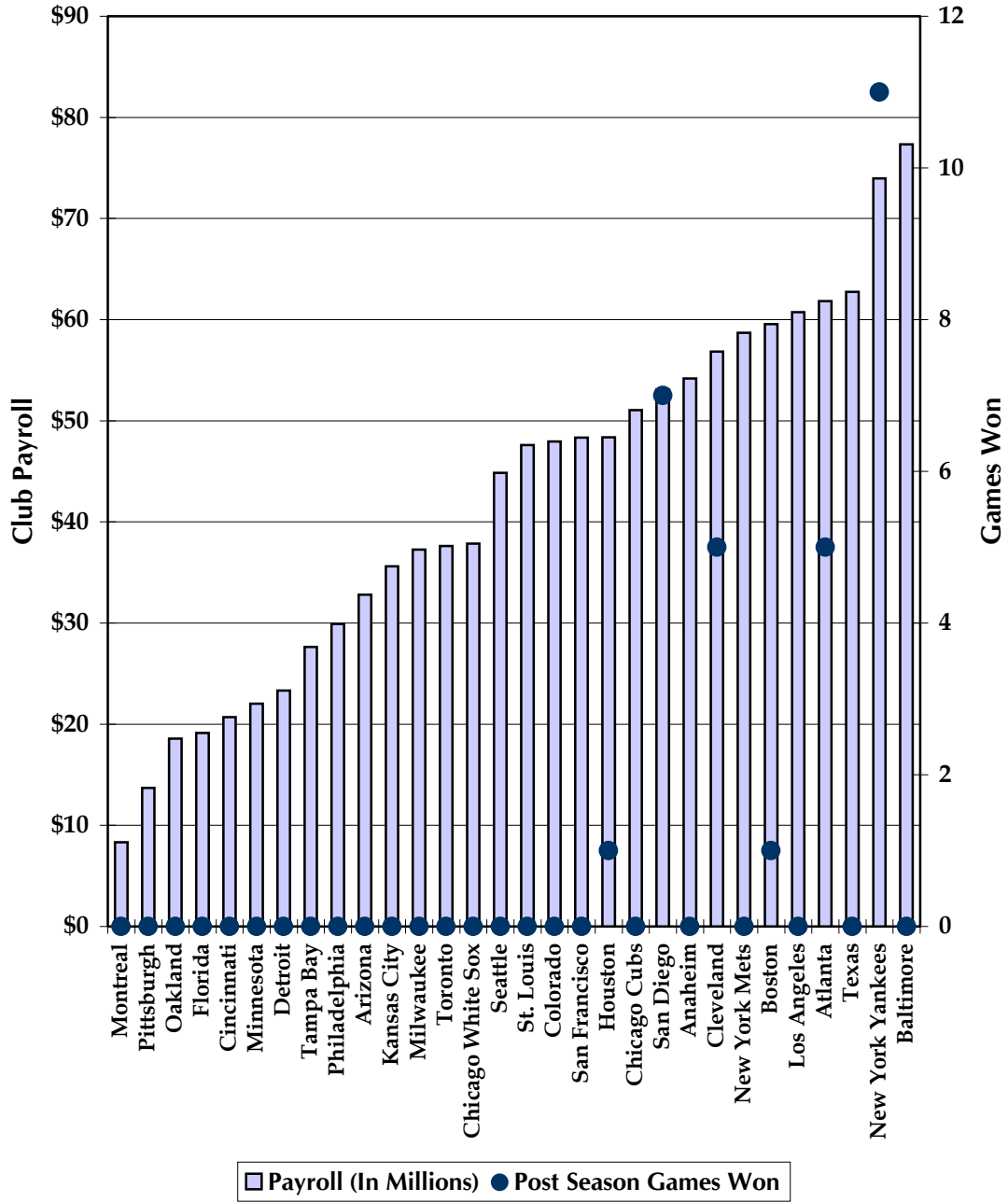




Chart 25: 1998 Club Payroll and Postseason Games Won



## VII.6. 1999 Season Detailed Data

**Table 24: 1999 Games Won and Lost**

	1999 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,284	568	442	339	275	222	182	173	134	103	83	79	66
Games Lost	1,174	379	295	218	169	140	103	93	75	49	41	38	28
Total Games	2,458	947	737	557	444	362	285	266	209	152	124	117	94
% Won	52%	60%	60%	61%	62%	61%	64%	65%	64%	68%	67%	68%	70%

	1999 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,174	518	406	320	247	209	166	153	123	98	80	73	59
Games Lost	1,284	424	326	241	200	167	124	106	86	59	43	42	35
Total Games	2,458	942	732	561	447	376	290	259	209	157	123	115	94
% Won	48%	55%	55%	57%	55%	56%	57%	59%	59%	62%	65%	63%	63%

	1999 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,458	1,086	848	659	522	431	348	326	257	201	163	152	125
Games Lost	2,458	803	621	459	369	307	227	199	161	108	84	80	63
Total Games	2,458	1,889	1,469	1,118	891	738	575	525	418	309	247	232	188
% Won	N/A	57%	58%	59%	59%	58%	61%	62%	61%	65%	66%	66%	66%
% of Games Played	N/A	77%	60%	45%	36%	30%	23%	21%	17%	13%	10%	9%	8%

**Table 25: 1999 Season Data, by Player Payroll**

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Minnesota	\$52,635,426	\$15,795,000	63	97
2	Florida	72,949,579	16,435,000	64	98
3	Kansas City	63,552,162	17,442,000	64	97
4	Montreal	48,798,479	18,140,250	68	94
5	Pittsburgh	63,185,292	24,532,420	78	83
6	Chicago White Sox	79,468,139	24,535,000	75	86
7	Oakland	62,584,712	24,562,547	87	75
8	Philadelphia	77,187,504	32,116,500	77	85
9	Detroit	78,128,450	36,979,666	69	92
10	Tampa Bay	75,459,000	37,865,451	69	93
11	Cincinnati	68,405,518	38,891,007	96	66
12	Milwaukee	63,574,858	43,576,575	74	87
13	San Francisco	74,681,794	46,016,934	86	76
14	St. Louis	101,835,164	46,337,129	75	86
15	San Diego	79,608,446	46,487,179	74	88
16	Seattle	114,229,183	47,001,254	79	83
17	Toronto	73,838,214	49,972,300	84	78
18	Anaheim	86,122,060	53,345,297	70	92
19	Chicago Cubs	105,957,245	55,544,648	67	95
20	Colorado	115,996,020	55,571,004	72	90
21	Houston	78,133,849	58,064,000	97	65
22	Arizona	102,801,000	70,196,818	100	62
23	New York Mets	140,589,295	72,503,334	96	66
24	Cleveland	136,783,057	73,341,692	97	65
25	Boston	117,105,417	75,260,656	94	68
26	Los Angeles	114,150,740	76,607,247	77	85
27	Baltimore	123,606,398	78,948,641	78	84
28	Atlanta	128,274,969	79,831,599	103	59
29	Texas	109,294,685	81,676,598	95	67
30	New York Yankees	177,937,346	92,440,955	98	64
	Average	\$92,895,800	\$49,667,290		
	Median	\$79,538,293	\$46,744,217		
	Total	\$2,786,874,001	\$1,490,018,701		

Chart 26: 1999 Club Payroll and Games Won

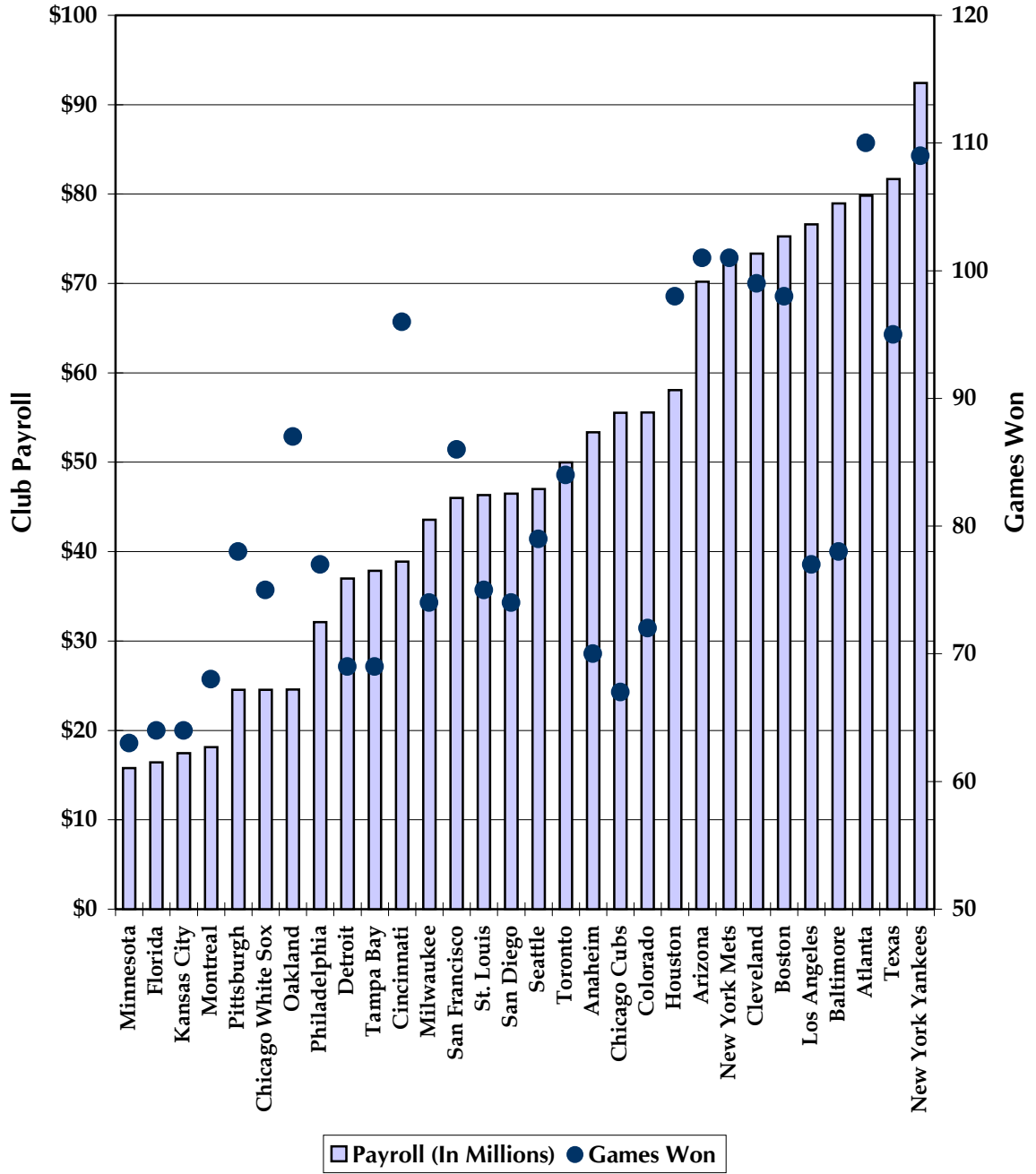
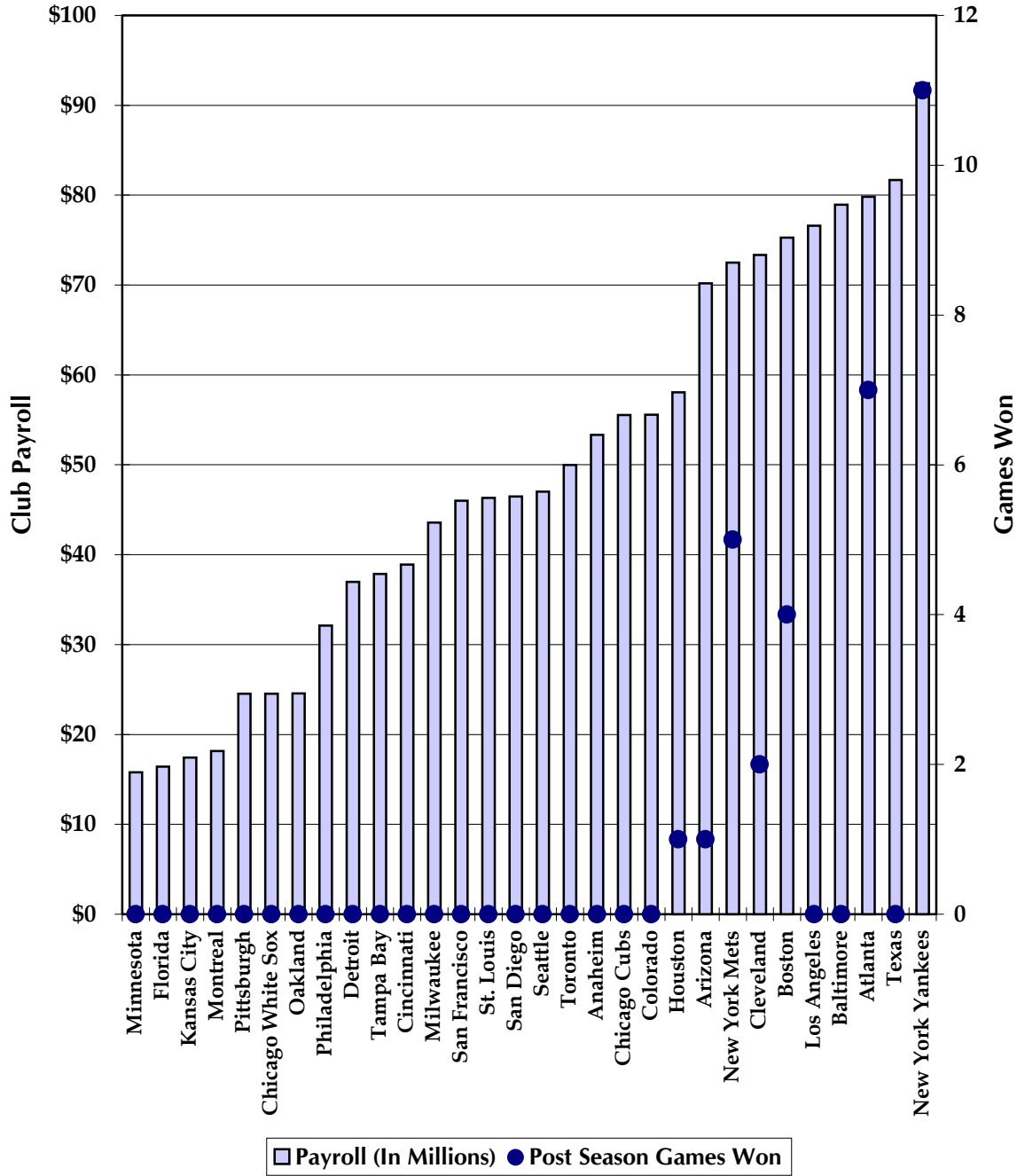


Chart 27: 1999 Club Payroll and Postseason Games Won



## VII.7. Season Summary, 1995-1999

**Table 26: Postseason Appearances by Payroll Quartile, 1995-1999**

Payroll Quartile	1995	1996	1997	1998	1999
IV	NY Mets	Milwaukee	Oakland	Montreal	Minnesota
IV	Montreal	Pittsburgh	Pittsburgh	Pittsburgh	Florida
IV	Minnesota	Montreal	Montreal	Oakland	Kansas City
IV	Milwaukee	Detroit	Detroit	Florida	Montreal
IV	Pittsburgh	Kansas City	Milwaukee	Cincinnati	Pittsburgh
IV	Florida	Minnesota	Chicago Cubs	Minnesota	Chicago WS
IV	San Diego	Oakland	Philadelphia	Detroit	Oakland

III				Tampa Bay	Philadelphia
III	Detroit	NY Mets	Minnesota	Philadelphia	Detroit
III	St. Louis	Anaheim	San Diego	Arizona	Tampa Bay
III	Philadelphia	Florida	Kansas City	Kansas City	Cincinnati
III	Kansas City	Toronto	Houston	Milwaukee	Milwaukee
III	Oakland	Houston	NY Mets	Toronto	San Francisco
III	Houston	Philadelphia	Cincinnati	Chicago WS	St. Louis
III	San Francisco	Chicago Cubs	Boston	Seattle	San Diego

II	Anaheim	San Diego	Chicago WS	St. Louis	Seattle
II	Texas	San Francisco	San Francisco	Colorado	Toronto
II	Los Angeles	Los Angeles	Texas	San Francisco	Anaheim
II	Chicago Cubs	Boston	Colorado	Houston	Chicago Cubs
II	Seattle	St. Louis	Seattle	Chicago Cubs	Colorado
II	Colorado	Colorado	Anaheim	San Diego	Houston
II	Boston	Texas	Los Angeles	Anaheim	Arizona

I				Cleveland	NY Mets
I	Cleveland	Seattle	Toronto	NY Mets	Cleveland
I	Chicago WS	Cincinnati	St. Louis	Boston	Boston
I	Toronto	Chicago WS	Florida	Los Angeles	Los Angeles
I	Atlanta	Cleveland	Atlanta	Atlanta	Baltimore
I	Cincinnati	Atlanta	Cleveland	Texas	Atlanta
I	Baltimore	Baltimore	Baltimore	NY Yankees	Texas
I	NY Yankees	NY Yankees	NY Yankees	Baltimore	NY Yankees

	<b>KEY:</b>
	Postseason Appearance
	LCS Appearance
	World Series Appearance
	World Series Winner

**Table 27: Local Revenue by Club, 1995-1999**

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	\$36.61	\$32.16	\$35.33	\$61.18	\$62.62	71%
2	Arizona	N/A	N/A	N/A	93.78	92.46	(1%)
3	Atlanta	68.64	76.60	105.64	109.34	119.22	74%
4	Baltimore	68.97	86.48	110.81	116.84	113.45	64%
5	Boston	59.90	69.62	72.42	93.92	105.04	75%
6	Chicago Cubs	47.28	50.58	55.33	66.18	92.32	95%
7	Chicago White Sox	48.79	58.43	63.52	56.27	56.64	16%
8	Cincinnati	32.62	29.77	32.55	31.42	39.95	22%
9	Cleveland	65.78	89.01	104.38	117.88	128.82	96%
10	Colorado	67.57	78.12	88.41	101.52	104.18	54%
11	Detroit	27.68	24.43	23.74	30.21	51.58	86%
12	Florida	36.40	37.87	52.02	39.07	44.11	21%
13	Houston	21.89	35.14	37.80	46.05	56.52	158%
14	Kansas City	25.58	26.30	28.58	30.24	34.19	34%
15	Los Angeles	62.30	71.03	81.97	87.74	101.50	63%
16	Milwaukee	25.37	27.20	28.61	36.43	34.82	37%
17	Minnesota	21.69	26.44	26.91	19.70	17.87	(18%)
18	Montreal	20.10	21.16	20.35	14.15	11.97	(40%)
19	New York Mets	45.17	56.86	63.12	89.49	132.32	193%
20	New York Yankees	90.18	102.04	128.86	152.99	175.94	95%
21	Oakland	27.57	26.74	30.97	26.81	33.70	22%
22	Philadelphia	41.40	45.72	40.68	44.08	51.56	25%
23	Pittsburgh	16.53	21.84	26.96	27.60	32.67	98%
24	San Diego	18.38	32.10	40.07	58.13	57.55	213%
25	San Francisco	32.93	41.82	44.60	45.89	52.15	58%
26	Seattle	30.64	47.90	66.80	67.86	96.78	216%
27	St. Louis	31.91	53.01	58.50	78.86	86.24	170%
28	Tampa Bay	N/A	N/A	N/A	71.75	65.35	(9%)
29	Texas	50.21	66.38	76.26	88.21	95.47	90%
30	Toronto	52.87	52.98	49.08	42.48	50.33	(5%)
	Average	\$41.96	\$49.56	\$56.94	\$64.87	\$73.24	75%
	Average Increase		18.1%	14.9%	13.9%	12.9%	
	Total	\$1,174.96	\$1,387.73	\$1,594.27	\$1,946.07	\$2,197.32	87%

Note: All dollar figures are in millions.

**Table 28: Total Revenue by Club, 1995-1999**

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	\$44.10	\$49.00	\$58.04	\$83.19	\$86.12	95%
2	Arizona	N/A	N/A	N/A	101.52	102.80	1%
3	Atlanta	76.14	85.59	114.79	118.14	128.27	68%
4	Baltimore	76.48	94.12	118.97	124.06	123.61	62%
5	Boston	67.41	79.61	85.23	105.09	117.10	74%
6	Chicago Cubs	54.78	64.09	72.06	82.70	105.96	93%
7	Chicago White Sox	56.30	69.62	78.04	75.42	79.47	41%
8	Cincinnati	40.12	46.76	53.52	57.38	68.41	71%
9	Cleveland	73.28	96.75	113.75	125.74	136.78	87%
10	Colorado	75.07	91.96	105.26	110.23	116.00	55%
11	Detroit	35.18	43.31	46.94	57.57	78.13	122%
12	Florida	43.90	51.70	69.16	61.50	72.95	66%
13	Houston	29.39	50.61	56.92	65.78	78.13	166%
14	Kansas City	33.08	44.55	50.10	56.09	63.55	92%
15	Los Angeles	69.80	81.30	93.86	100.06	114.15	64%
16	Milwaukee	32.87	44.96	50.42	61.18	63.57	93%
17	Minnesota	29.19	44.74	49.52	49.26	52.64	80%
18	Montreal	27.60	39.85	43.59	44.98	48.80	77%
19	New York Mets	52.68	70.47	78.41	104.04	140.59	167%
20	New York Yankees	97.68	107.93	135.12	157.87	177.94	82%
21	Oakland	35.07	44.49	52.19	53.03	62.58	78%
22	Philadelphia	48.90	60.38	60.87	67.64	77.19	58%
23	Pittsburgh	24.03	40.67	49.03	54.44	63.19	163%
24	San Diego	25.88	48.62	59.11	76.22	79.61	208%
25	San Francisco	40.43	55.92	62.51	66.05	74.68	85%
26	Seattle	38.14	60.35	79.66	82.48	114.23	200%
27	St. Louis	39.41	66.20	74.36	92.13	101.83	158%
28	Tampa Bay	N/A	N/A	N/A	79.20	75.46	(5%)
29	Texas	57.71	76.74	89.06	100.77	109.29	89%
30	Toronto	60.37	64.88	66.73	65.09	73.84	22%
	Average	\$49.46	\$63.40	\$73.83	\$82.63	\$92.90	88%
	Average Increase		28.2%	16.5%	11.9%	12.4%	
	Total	\$1,384.99	\$1,775.17	\$2,067.22	\$2,478.85	\$2,786.87	101%
	Note: All dollar figures are in millions.						



**Table 29: Payroll by Club, 1995-1999**

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	\$34.70	\$25.14	\$46.68	\$54.19	\$53.34	54%
2	Arizona	N/A	N/A	N/A	32.81	70.20	114%
3	Atlanta	47.02	53.80	53.11	61.84	79.83	70%
4	Baltimore	48.74	55.13	64.61	77.32	78.95	62%
5	Boston	38.16	38.52	40.61	59.55	75.26	97%
6	Chicago Cubs	36.80	32.61	30.79	51.06	55.54	51%
7	Chicago White Sox	40.75	44.83	41.85	37.85	24.53	(40%)
8	Cincinnati	47.74	43.70	38.21	20.71	38.89	(19%)
9	Cleveland	40.18	47.69	58.87	56.84	73.34	83%
10	Colorado	38.04	41.11	46.09	47.96	55.57	46%
11	Detroit	28.66	17.96	20.99	23.32	36.98	29%
12	Florida	22.96	25.31	52.47	19.14	16.44	(28%)
13	Houston	33.61	29.61	34.93	48.35	58.06	73%
14	Kansas City	31.18	19.98	33.87	35.61	17.44	(44%)
15	Los Angeles	36.73	37.31	48.47	60.73	76.61	109%
16	Milwaukee	17.41	11.70	26.56	37.25	43.58	150%
17	Minnesota	15.36	21.25	32.20	22.03	15.80	3%
18	Montreal	13.12	17.26	18.01	8.32	18.14	38%
19	New York Mets	13.10	24.89	34.99	58.71	72.50	453%
20	New York Yankees	58.17	61.51	73.39	73.96	92.44	59%
21	Oakland	33.37	22.52	7.88	18.58	24.56	(26%)
22	Philadelphia	30.33	30.40	31.10	29.92	32.12	6%
23	Pittsburgh	17.67	16.99	15.12	13.70	24.53	39%
24	San Diego	25.01	33.38	32.77	53.08	46.49	86%
25	San Francisco	33.74	34.65	43.07	48.34	46.02	36%
26	Seattle	37.98	43.13	46.30	44.85	47.00	24%
27	St. Louis	28.68	38.73	50.22	47.61	46.34	62%
28	Tampa Bay	N/A	N/A	N/A	27.65	37.87	37%
29	Texas	35.89	41.33	44.59	62.76	81.68	128%
30	Toronto	42.23	28.78	48.96	37.62	49.97	18%
	Average	\$33.12	\$33.54	\$39.88	\$42.39	\$49.67	50%
	Average Increase		1.3%	18.9%	6.3%	17.2%	
	Total	\$927.33	\$939.22	\$1,116.71	\$1,271.66	\$1,490.02	61%
	Note: All dollar figures are in millions.						

**Table 30: Total Operating Income (Loss) by Club, 1995-1999**

No.	Club	Total
1	Anaheim	\$(83.32)
2	Arizona	(30.63)
3	Atlanta	(6.88)
4	Baltimore	(10.03)
5	Boston	(5.43)
6	Chicago Cubs	(30.36)
7	Chicago White Sox	(48.10)
8	Cincinnati	(32.53)
9	Cleveland	45.92
10	Colorado	12.44
11	Detroit	(44.71)
12	Florida	(63.63)
13	Houston	(71.12)
14	Kansas City	(56.91)
15	Los Angeles	(77.33)
16	Milwaukee	(42.86)
17	Minnesota	(36.69)
18	Montreal	(5.14)
19	New York Mets	(40.56)
20	New York Yankees	64.50
21	Oakland	(44.95)
22	Philadelphia	(32.71)
23	Pittsburgh	(18.90)
24	San Diego	(72.07)
25	San Francisco	(97.02)
26	Seattle	(41.65)
27	St. Louis	(47.40)
28	Tampa Bay	(4.88)
29	Texas	(38.96)
30	Toronto	(87.63)
	Average	(\$34.98)
	Total	\$(1,049.54)
	Note: Dollars in millions.	

**Table 31: Games Won and Lost by Payroll Advantage, 1995-1999**

	1995-1999 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	6,167	2,459	1,773	1,320	1,062	820	636	517	410	326	265	211	183
Games Lost	5,396	1,615	1,140	847	653	493	365	291	225	174	135	106	87
Total Games	11,563	4,074	2,913	2,167	1,715	1,313	1,001	808	635	500	400	317	270
% Won	53%	60%	61%	61%	62%	62%	64%	64%	65%	65%	66%	67%	68%

	1995-1999 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	5,396	1,967	1,405	1,026	789	618	467	395	306	245	202	163	132
Games Lost	6,167	2,125	1,534	1,132	898	692	528	398	314	239	187	142	121
Total Games	11,563	4,092	2,939	2,158	1,687	1,310	995	793	620	484	389	305	253
% Won	47%	48%	48%	48%	47%	47%	47%	50%	49%	51%	52%	53%	52%

	1995-1999 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	11,563	4,426	3,178	2,346	1,851	1,438	1,103	912	716	571	467	374	315
Games Lost	11,563	3,740	2,674	1,979	1,551	1,185	893	689	539	413	322	248	208
Total Games	23,126	8,166	5,852	4,325	3,402	2,623	1,996	1,601	1,255	984	789	622	523
% Won	50%	54%	54%	54%	54%	55%	55%	57%	57%	58%	59%	60%	60%
% of Games	N/A	35%	25%	19%	15%	11%	9%	7%	5%	4%	3%	3%	2%

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