

# The Wages of Wins Journal

Taking aim at the lies and damned lies in sports with stories written by the numbers.

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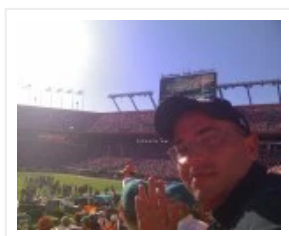
## The Bottom Line on the NBA Finances

November 8, 2011 | Filed under: [Basketball Stories](#) and tagged with: [NBA books](#), [NBA Lockout](#), [NBA revenues](#)



Wages of Wins

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***Arturo Galletti** is the Co-editor and Director of Analytics for the Wages of Wins Network. He is an Electrical Engineer with General Electric on the lovely isle of Puerto Rico, where he*

*keeps his production lines running by day and night (and weekends) and works on sport analysis with his free time.*

Damn it all, [the angel of Stern has struck](#), throwing gasoline on a fire,

and so the season hangs by a thread. We really are so close to where

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we need to be to make it happen. I was not a happy camper, but I

thought to myself: what else is a mathematically inclined and bored

NBA fan left with? What is left for me but to wait?

Thankfully, inspiration struck ([like a podcast](#) you might say). What if I took a stab at laying out the finances of every team? Would that level the playing field enough to get this deal to happen? Then again, I might just make everything worse.

Let's start with the gate & concessions. For that I needed a few pieces of information:

- Attendance numbers for the [2010-11 NBA Season](#)
- Information on the average amount of money [spent on concessions](#). That study in particular comes up with something called:
  - The Fan Cost Index™ which comprises the prices of:
    - four (4) average-price tickets
    - two (2) small draft beers
    - four (4) small soft drinks
    - four (4) regular-size hot dogs
    - parking for one (1) car
    - two (2) game programs
    - two (2) least-expensive, adult-size adjustable caps.

If I take the attendance figures (divided by four) and multiply them by the The Fan Cost Index™ I get:

## #wagesofwins



**Stacey Brook**

8 Dec

@StaceyLBrook  
@CycloneFB  
was below average since 2008:  
teamsportsanalys

#wagesofwins  
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Expand



**reservoirgod**

6 Dec

@MIA\_Heat\_Index  
worst nba win scores 12/5:  
pg wroten -7.5  
sg monta -7  
sf derozan -5.5

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## THE STATS

[The NBA Geek](#) - for up to date Wins Produced numbers.

[PopcornMachine.net](#) - Watch the boxscore unfold with minute by minute game flows.

[Basketball Reference](#) - for \*almost\* all the basketball stats you could ask for.



## Estimated Gate &amp; Concession for NBA Teams 2010-11

NBA Team	10-11 Total Attendance	Per Game	% of Nominal Stadium Capacity	Family Cost Index	Estimated Gate (\$MM)
New York Knicks	808,879	19,728	99.8%	\$ 505.64	\$ 102.25
Los Angeles Lakers	778,877	18,997	99.7%	\$ 488.98	\$ 95.21
Chicago Bulls	893,462	21,791	104.2%	\$ 365.00	\$ 81.53
Miami Heat	810,930	19,778	100.9%	\$ 380.00	\$ 77.04
Boston Celtics	763,584	18,624	100.0%	\$ 392.70	\$ 74.96
Portland Trailblazers	840,924	20,510	102.7%	\$ 297.49	\$ 62.54
Dallas Mavericks	824,162	20,101	104.7%	\$ 297.78	\$ 61.35
Phoenix Suns	720,249	17,567	95.4%	\$ 331.00	\$ 59.60
Cleveland Cavaliers	824,595	20,112	97.8%	\$ 288.18	\$ 59.41
San Antonio Spurs	750,879	18,314	98.6%	\$ 315.36	\$ 59.20
Los Angeles Clippers	727,462	17,742	93.1%	\$ 313.86	\$ 57.08
Toronto Raptors	679,208	16,566	83.7%	\$ 332.94	\$ 56.53
Orlando Magic	777,852	18,972	102.6%	\$ 263.50	\$ 51.24
Denver Nuggets	692,968	16,901	88.2%	\$ 287.70	\$ 49.84
Utah Jazz	799,982	19,511	98.0%	\$ 246.88	\$ 49.37
Oklahoma City Thunder	744,068	18,148	99.7%	\$ 255.96	\$ 47.61
Golden State Warriors	766,398	18,692	95.4%	\$ 247.52	\$ 47.42
Houston Rockets	663,839	16,191	89.7%	\$ 276.14	\$ 45.83
Detroit Pistons	683,080	16,660	75.5%	\$ 265.04	\$ 45.26
Milwaukee Bucks	631,910	15,412	82.3%	\$ 265.98	\$ 42.02
Sacramento Kings	569,496	13,890	80.2%	\$ 282.20	\$ 40.18
Philadelphia 76ers	604,823	14,751	72.6%	\$ 261.98	\$ 39.61
New Jersey Nets	581,378	14,179	80.6%	\$ 261.50	\$ 38.01
Atlanta Hawks	641,596	15,648	83.6%	\$ 235.02	\$ 37.70
Minnesota Timberwolves	624,960	15,242	78.8%	\$ 221.50	\$ 34.61
Charlotte Bobcats	649,694	15,846	83.1%	\$ 199.34	\$ 32.38
Washington Wizards	688,466	16,791	83.2%	\$ 186.08	\$ 32.03
New Orleans Hornets	603,088	14,709	86.1%	\$ 209.04	\$ 31.52
Memphis Grizzlies	600,687	14,650	80.9%	\$ 173.72	\$ 26.09
Indiana Pacers	555,077	13,538	74.5%	\$ 187.52	\$ 26.02

The top five teams in the league (Lakers, Knicks, Bulls, Heat, and Celtics) make three times as much money at the gate as the bottom two teams (Grizzlies and Pacers). Thirteen teams make twice as much as the bottom two. A smart person might even ask: why only one team in New York (right Mikhail?). This is what the media refers to when they talk about small versus large markets, and this is before we get to the TV money (national and local) and all the other incomes.

Now comes the first tricky bit. You see, while the [national tv money is easy to determine](#), the [local tv money](#) and the division of other income is harder to come by. Of course, like any good engineer, I figured out a good workaround:

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November 2011

M	T	W	T	F	S	S
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

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Average NBA ticket Prices online for 2010-2011 Season Data from <a href="http://seatgeek.com/blog/nba/nba-ticket-prices-by-team-2010-11-averages">http://seatgeek.com/blog/nba/nba-ticket-prices-by-team-2010-11-averages</a>			
Team	Avg Ticket Price Online	Estimated Percent of Available Income	Other Revenues (estimated)
Los Angeles Lakers	\$ 174.64	8.1%	\$ 108.54
New York Knicks	\$ 133.13	6.2%	\$ 82.74
Miami Heat	\$ 126.51	5.9%	\$ 78.63
Boston Celtics	\$ 116.19	5.4%	\$ 72.21
Toronto Raptors	\$ 102.75	4.8%	\$ 63.86
Chicago Bulls	\$ 93.28	4.3%	\$ 57.97
Houston Rockets	\$ 83.41	3.9%	\$ 51.84
San Antonio Spurs	\$ 79.39	3.7%	\$ 49.34
Los Angeles Clippers	\$ 73.38	3.4%	\$ 45.61
Dallas Mavericks	\$ 72.73	3.4%	\$ 45.20
Phoenix Suns	\$ 72.03	3.3%	\$ 44.77
Orlando Magic	\$ 67.89	3.1%	\$ 42.19
Golden State Warriors	\$ 67.26	3.1%	\$ 41.80
Washington Wizards	\$ 66.74	3.1%	\$ 41.48
Memphis Grizzlies	\$ 65.97	3.1%	\$ 41.00
Atlanta Hawks	\$ 60.36	2.8%	\$ 37.51
Philadelphia 76ers	\$ 59.96	2.8%	\$ 37.27
Portland Trailblazers	\$ 59.38	2.7%	\$ 36.91
Oklahoma City Thunder	\$ 59.14	2.7%	\$ 36.76
Cleveland Cavaliers	\$ 58.34	2.7%	\$ 36.26
Denver Nuggets	\$ 58.11	2.7%	\$ 36.12
Sacramento Kings	\$ 55.28	2.6%	\$ 34.36
Indiana Pacers	\$ 52.51	2.4%	\$ 32.64
Charlotte Bobcats	\$ 52.50	2.4%	\$ 32.63
New Orleans Hornets	\$ 51.08	2.4%	\$ 31.75
Milwaukee Bucks	\$ 46.60	2.2%	\$ 28.96
New Jersey Nets	\$ 43.92	2.0%	\$ 27.30
Utah Jazz	\$ 37.57	1.7%	\$ 23.35
Minnesota Timberwolves	\$ 35.55	1.6%	\$ 22.09
Detroit Pistons	\$ 34.49	1.6%	\$ 21.44
Average	\$ 72.00	Total	\$ 1,342.53

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That is the pricing for NBA tickets from the secondary ticket markets. This is [publicly available data](#) (The internet is a wonderful thing). Using that data as a guideline and what I know about the [NBA's](#) finances I came up with this:

## Estimated Net Operating Income & Franchise Value for NBA Teams 2010-11

Totals	\$1,563.45	\$930.00	\$(18.98)	\$ 1,342.53	\$3,817.00	\$ 10,688
NBA Team	Estimated Gate (\$MM)	Share of National TV Contracts	Money going to Spirits of St. Louis	Other Revenues (estimated)	Net Operating Income	Team Value Estimate (2.8 times NOI)
Los Angeles Lakers	\$ 95.21	\$ 31.00		\$ 108.54	\$ 234.8	\$ 657.31
New York Knicks	\$ 102.25	\$ 31.00		\$ 82.74	\$ 216.0	\$ 604.78
Miami Heat	\$ 77.04	\$ 31.00		\$ 78.63	\$ 186.7	\$ 522.67
Boston Celtics	\$ 74.96	\$ 31.00		\$ 72.21	\$ 178.2	\$ 498.90
Chicago Bulls	\$ 81.53	\$ 31.00		\$ 57.97	\$ 170.5	\$ 477.41
Toronto Raptors	\$ 56.53	\$ 31.00		\$ 63.86	\$ 151.4	\$ 423.90
Dallas Mavericks	\$ 61.35	\$ 31.00		\$ 45.20	\$ 137.6	\$ 385.16
Phoenix Suns	\$ 59.60	\$ 31.00		\$ 44.77	\$ 135.4	\$ 379.03
San Antonio Spurs	\$ 59.20	\$ 31.00	\$ (4.74)	\$ 49.34	\$ 134.8	\$ 377.43
Los Angeles Clippers	\$ 57.08	\$ 31.00		\$ 45.61	\$ 133.7	\$ 374.32
Portland Trailblazers	\$ 62.54	\$ 31.00		\$ 36.91	\$ 130.4	\$ 365.25
Houston Rockets	\$ 45.83	\$ 31.00		\$ 51.84	\$ 128.7	\$ 360.27
Cleveland Cavaliers	\$ 59.41	\$ 31.00		\$ 36.26	\$ 126.7	\$ 354.67
Orlando Magic	\$ 51.24	\$ 31.00		\$ 42.19	\$ 124.4	\$ 348.42
Golden State Warriors	\$ 47.42	\$ 31.00		\$ 41.80	\$ 120.2	\$ 336.64
Oklahoma City Thunder	\$ 47.61	\$ 31.00		\$ 36.76	\$ 115.4	\$ 323.03
Denver Nuggets	\$ 49.84	\$ 31.00	\$ (4.74)	\$ 36.12	\$ 112.2	\$ 314.20
Philadelphia 76ers	\$ 39.61	\$ 31.00		\$ 37.27	\$ 107.9	\$ 302.06
Atlanta Hawks	\$ 37.70	\$ 31.00		\$ 37.51	\$ 106.2	\$ 297.39
Sacramento Kings	\$ 40.18	\$ 31.00		\$ 34.36	\$ 105.5	\$ 295.50
Washington Wizards	\$ 32.03	\$ 31.00		\$ 41.48	\$ 104.5	\$ 292.62
Utah Jazz	\$ 49.37	\$ 31.00		\$ 23.35	\$ 103.7	\$ 290.43
Milwaukee Bucks	\$ 42.02	\$ 31.00		\$ 28.96	\$ 102.0	\$ 285.55
Memphis Grizzlies	\$ 26.09	\$ 31.00		\$ 41.00	\$ 98.1	\$ 274.65
Detroit Pistons	\$ 45.26	\$ 31.00		\$ 21.44	\$ 97.7	\$ 273.55
Charlotte Bobcats	\$ 32.38	\$ 31.00		\$ 32.63	\$ 96.0	\$ 268.82
New Orleans Hornets	\$ 31.52	\$ 31.00		\$ 31.75	\$ 94.3	\$ 263.94
New Jersey Nets	\$ 38.01	\$ 31.00	\$ (4.74)	\$ 27.30	\$ 91.6	\$ 256.37
Minnesota Timberwolves	\$ 34.61	\$ 31.00		\$ 22.09	\$ 87.7	\$ 245.57
Indiana Pacers	\$ 26.02	\$ 31.00	\$ (4.74)	\$ 32.64	\$ 84.9	\$ 237.76

That is my estimate for each team's Net Operating Income (NOI), or Basketball Related Income (BRI) as it's become known, as well as team valuations. A couple of quick notes here:

- The share of the national TV contract is not quite split equally amongst the 30 teams. All 26 non-ABA teams get 1/30th of the money. The owners of the [Spirits of St. Louis](#) get a 1/28 th share ([go here for full detail](#)) and each former ABA team gets a 1/30th share minus a fourth of that Spirits share.

- I estimated Team valuations at 2.8 times the NOI (BRI) for each team. I am not including other assets such as stadia. For a fuller estimate [go here](#). You'll note that I am not that far off.

With the sharing from the national TV contract included, the previously noted disparity is somewhat reduced (the Lakers and Knicks only make 2.5 times as much money as the Pacers and T-Wolves, not 3 times :-)), but it's not quite enough. The problem is that the gate and concessions for the larger market teams are on par with the total income for the small market teams. There can be no real parity until there is actual revenue sharing of the gate at least (the NFL has a 60/40 Home/Road split). A good source for more info on [this is here](#).

That takes care of direct incomes, so let's get to the bone of contention. Let's talk player salaries. Again, I needed some sources of information:

- All salary data is [from here](#). Thanks to ShamSports. I'll do something fun with it later.
- [Salary Cap/Luxury cap](#) information from the inimitable Larry Coon.

Remember how everyone talks about the 57% Share of BRI for the Players?



Team Income after Player Salaries for NBA Teams 2010-11 and Team BRI Share								
Totals	\$3,817.00	\$(2,015.30)	\$(2,175.69)	\$ (70.83)	\$54.31	\$(2,192)	\$ 1,625	57%
NBA Team	Net Operating Income	Player Salaries (Base)	Player Salaries (BRI Adjusted)	Luxury Tax (Collected)	Luxury Tax (Paid)	Total Salaries Paid to Players	Team Income after Salaries	Salaries as % of NOI
New York Knicks	\$ 216.0	\$ (67.06)	\$ (72.39)	\$ -	\$ 2.4	\$ (70.0)	\$ 145.96	32%
Chicago Bulls	\$ 170.5	\$ (55.63)	\$ (60.06)	\$ -	\$ 2.4	\$ (57.7)	\$ 112.81	34%
Miami Heat	\$ 186.7	\$ (66.74)	\$ (72.05)	\$ -	\$ 2.4	\$ (69.7)	\$ 116.98	37%
Los Angeles Clippers	\$ 133.7	\$ (52.75)	\$ (56.95)	\$ -	\$ 2.4	\$ (54.6)	\$ 79.10	41%
Sacramento Kings	\$ 105.5	\$ (44.88)	\$ (48.45)	\$ -	\$ 2.4	\$ (46.1)	\$ 59.45	44%
Cleveland Cavaliers	\$ 126.7	\$ (55.06)	\$ (59.44)	\$ -	\$ 2.4	\$ (57.1)	\$ 69.58	45%
Toronto Raptors	\$ 151.4	\$ (69.15)	\$ (74.65)	\$ -	\$ 2.4	\$ (72.3)	\$ 79.10	48%
Boston Celtics	\$ 178.2	\$ (76.15)	\$ (82.21)	\$ (5.8)	\$ -	\$ (88.1)	\$ 90.12	49%
Los Angeles Lakers	\$ 234.8	\$ (90.39)	\$ (97.58)	\$ (20.1)	\$ -	\$ (117.7)	\$ 117.09	50%
Phoenix Suns	\$ 135.4	\$ (66.21)	\$ (71.48)	\$ -	\$ 2.4	\$ (69.1)	\$ 66.25	51%
Oklahoma City Thunder	\$ 115.4	\$ (58.06)	\$ (62.68)	\$ -	\$ 2.4	\$ (60.3)	\$ 55.05	52%
San Antonio Spurs	\$ 134.8	\$ (69.74)	\$ (75.29)	\$ -	\$ 2.4	\$ (72.9)	\$ 61.87	54%
Washington Wizards	\$ 104.5	\$ (57.23)	\$ (61.78)	\$ -	\$ 2.4	\$ (59.4)	\$ 45.09	57%
Golden State Warriors	\$ 120.2	\$ (68.28)	\$ (73.71)	\$ -	\$ 2.4	\$ (71.3)	\$ 48.88	59%
Houston Rockets	\$ 128.7	\$ (70.90)	\$ (76.54)	\$ (0.6)	\$ -	\$ (77.1)	\$ 51.53	60%
Denver Nuggets	\$ 112.2	\$ (67.10)	\$ (72.44)	\$ -	\$ 2.4	\$ (70.1)	\$ 42.14	62%
Portland Trailblazers	\$ 130.4	\$ (73.72)	\$ (79.59)	\$ (3.4)	\$ -	\$ (83.0)	\$ 47.44	64%
Minnesota Timberwolves	\$ 87.7	\$ (54.17)	\$ (58.48)	\$ -	\$ 2.4	\$ (56.1)	\$ 31.58	64%
Philadelphia 76ers	\$ 107.9	\$ (68.49)	\$ (73.94)	\$ -	\$ 2.4	\$ (71.6)	\$ 36.30	66%
New Jersey Nets	\$ 91.6	\$ (58.92)	\$ (63.61)	\$ -	\$ 2.4	\$ (61.2)	\$ 30.32	67%
Atlanta Hawks	\$ 106.2	\$ (70.25)	\$ (75.84)	\$ -	\$ 2.4	\$ (73.5)	\$ 32.73	69%
Detroit Pistons	\$ 97.7	\$ (65.02)	\$ (70.19)	\$ -	\$ 2.4	\$ (67.8)	\$ 29.86	69%
Milwaukee Bucks	\$ 102.0	\$ (68.88)	\$ (74.36)	\$ -	\$ 2.4	\$ (72.0)	\$ 29.98	71%
Charlotte Bobcats	\$ 96.0	\$ (65.61)	\$ (70.83)	\$ -	\$ 2.4	\$ (68.5)	\$ 27.53	71%
Memphis Grizzlies	\$ 98.1	\$ (69.75)	\$ (75.30)	\$ -	\$ 2.4	\$ (72.9)	\$ 25.15	74%
New Orleans Hornets	\$ 94.3	\$ (68.26)	\$ (73.70)	\$ -	\$ 2.4	\$ (71.3)	\$ 22.93	76%
Dallas Mavericks	\$ 137.6	\$ (86.63)	\$ (93.52)	\$ (16.3)	\$ -	\$ (109.8)	\$ 27.71	80%
Indiana Pacers	\$ 84.9	\$ (65.10)	\$ (70.28)	\$ -	\$ 2.4	\$ (67.9)	\$ 16.99	80%
Utah Jazz	\$ 103.7	\$ (75.29)	\$ (81.29)	\$ (5.0)	\$ -	\$ (86.3)	\$ 17.45	83%
Orlando Magic	\$ 124.4	\$ (89.90)	\$ (97.05)	\$ (19.6)	\$ -	\$ (116.6)	\$ 7.79	94%

That's correct for the entire league. It's incorrect for individual teams, and therein lies the problem. Twelve teams have player salaries at less than 57% of their BRI (including the Knicks, Bulls and Heat, yes those Heat, at less than 40% ). The other eighteen are not so lucky. There are in fact four teams at 80% or greater.

Let's add in expenses and get to what the league is claiming [as their bottom line](#) (backed by their tax returns). (Note: I used \$266 as the loss number since the closest I could find for a number was about \$300 million).

Estimated Tax Return Numbers for NBA Teams 2010-11					
Totals	\$ 3,817.0	\$ (2,192.2)	\$ 1,624.8	\$ (1,891.0)	\$ (266.2)
NBA Team	Net Operating Income	Total Salaries Paid to Players	Team Income after Salaries	Team operating Expenses	Team Profit (Tax Return)
New York Knicks	\$ 216.0	\$ (70.0)	\$ 145.96	-63.0	82.93
Los Angeles Lakers	\$ 234.8	\$ (117.7)	\$ 117.09	-63.0	54.05
Miami Heat	\$ 186.7	\$ (69.7)	\$ 116.98	-63.0	53.95
Chicago Bulls	\$ 170.5	\$ (57.7)	\$ 112.81	-63.0	49.77
Boston Celtics	\$ 178.2	\$ (88.1)	\$ 90.12	-63.0	27.09
Toronto Raptors	\$ 151.4	\$ (72.3)	\$ 79.10	-63.0	16.07
Los Angeles Clippers	\$ 133.7	\$ (54.6)	\$ 79.10	-63.0	16.07
Cleveland Cavaliers	\$ 126.7	\$ (57.1)	\$ 69.58	-63.0	6.55
Phoenix Suns	\$ 135.4	\$ (69.1)	\$ 66.25	-63.0	3.22
San Antonio Spurs	\$ 134.8	\$ (72.9)	\$ 61.87	-63.0	-1.17
Sacramento Kings	\$ 105.5	\$ (46.1)	\$ 59.45	-63.0	-3.59
Oklahoma City Thunder	\$ 115.4	\$ (60.3)	\$ 55.05	-63.0	-7.98
Houston Rockets	\$ 128.7	\$ (77.1)	\$ 51.53	-63.0	-11.50
Golden State Warriors	\$ 120.2	\$ (71.3)	\$ 48.88	-63.0	-14.15
Portland Trailblazers	\$ 130.4	\$ (83.0)	\$ 47.44	-63.0	-15.59
Washington Wizards	\$ 104.5	\$ (59.4)	\$ 45.09	-63.0	-17.95
Denver Nuggets	\$ 112.2	\$ (70.1)	\$ 42.14	-63.0	-20.90
Philadelphia 76ers	\$ 107.9	\$ (71.6)	\$ 36.30	-63.0	-26.73
Atlanta Hawks	\$ 106.2	\$ (73.5)	\$ 32.73	-63.0	-30.30
Minnesota Timberwolves	\$ 87.7	\$ (56.1)	\$ 31.58	-63.0	-31.45
New Jersey Nets	\$ 91.6	\$ (61.2)	\$ 30.32	-63.0	-32.72
Milwaukee Bucks	\$ 102.0	\$ (72.0)	\$ 29.98	-63.0	-33.05
Detroit Pistons	\$ 97.7	\$ (67.8)	\$ 29.86	-63.0	-33.17
Dallas Mavericks	\$ 137.6	\$ (109.8)	\$ 27.71	-63.0	-35.32
Charlotte Bobcats	\$ 96.0	\$ (68.5)	\$ 27.53	-63.0	-35.50
Memphis Grizzlies	\$ 98.1	\$ (72.9)	\$ 25.15	-63.0	-37.88
New Orleans Hornets	\$ 94.3	\$ (71.3)	\$ 22.93	-63.0	-40.10
Utah Jazz	\$ 103.7	\$ (86.3)	\$ 17.45	-63.0	-45.58
Indiana Pacers	\$ 84.9	\$ (67.9)	\$ 16.99	-63.0	-46.04
Orlando Magic	\$ 124.4	\$ (116.6)	\$ 7.79	-63.0	-55.24

Those are the league's claims — near as I can figure it — in technicolor. Add in playoff revenues and about 19 of those teams claimed losses on their tax returns.

There are two very important things missing:

- The Tax Break: the tax break in question is the Roster Depreciation Allowance (RDA –[see here](#)). To put it very simply, the RDA allows you to claim the value of your franchise as a loss in your books over a period of 15 years and in essence save 35% of that amount on your tax returns (this is known as the 15/100 Rule of Thumb [see [here for more detail](#)]). You can claim that loss on whatever schedule you like. You want to claim 90% in Year 5? Go right ahead. No loss claim in Year 11? Good for you. For this estimate, I'm assuming 1/15 th of the



value of each franchise is available to be claimed and the value has to be multiplied by 1.35 (1 for the loss, .35 for the tax break).

- The increase in franchise value: The average value of an NBA franchise has increased 78% since 2000 (see page 26 of [this report](#)). I'm going to use 4% as my value increase number to be nice.

When I add those in we get:

Estimated Bottom Line Numbers for NBA Teams 2010-11					
Totals	\$ (266.2)	\$ 10,687.6	\$ 961.9	\$ 427.5	\$ 1,123.2
NBA Team	Team Profit (Tax Return)	Team Value Estimate (2.8 times NOI)	Value of RDA (Loss + Tax Shelter)	Franchise Appreciation (4%)	Team Profit (Actual)
New York Knicks	82.93	\$ 604.78	\$ 54.4	\$ 24.19	\$ 161.55
Los Angeles Lakers	54.05	\$ 657.31	\$ 59.2	\$ 26.29	\$ 139.50
Miami Heat	53.95	\$ 522.67	\$ 47.0	\$ 20.91	\$ 121.89
Chicago Bulls	49.77	\$ 477.41	\$ 43.0	\$ 19.10	\$ 111.84
Boston Celtics	27.09	\$ 498.90	\$ 44.9	\$ 19.96	\$ 91.95
Toronto Raptors	16.07	\$ 423.90	\$ 38.2	\$ 16.96	\$ 71.18
Los Angeles Clippers	16.07	\$ 374.32	\$ 33.7	\$ 14.97	\$ 64.73
Cleveland Cavaliers	6.55	\$ 354.67	\$ 31.9	\$ 14.19	\$ 52.66
Phoenix Suns	3.22	\$ 379.03	\$ 34.1	\$ 15.16	\$ 52.49
San Antonio Spurs	-1.17	\$ 377.43	\$ 34.0	\$ 15.10	\$ 47.90
Houston Rockets	-11.50	\$ 360.27	\$ 32.4	\$ 14.41	\$ 35.34
Sacramento Kings	-3.59	\$ 295.50	\$ 26.6	\$ 11.82	\$ 34.83
Oklahoma City Thunder	-7.98	\$ 323.03	\$ 29.1	\$ 12.92	\$ 34.01
Portland Trailblazers	-15.59	\$ 365.25	\$ 32.9	\$ 14.61	\$ 31.89
Golden State Warriors	-14.15	\$ 336.64	\$ 30.3	\$ 13.47	\$ 29.61
Washington Wizards	-17.95	\$ 292.62	\$ 26.3	\$ 11.70	\$ 20.09
Denver Nuggets	-20.90	\$ 314.20	\$ 28.3	\$ 12.57	\$ 19.95
Dallas Mavericks	-35.32	\$ 385.16	\$ 34.7	\$ 15.41	\$ 14.75
Philadelphia 76ers	-26.73	\$ 302.06	\$ 27.2	\$ 12.08	\$ 12.54
Atlanta Hawks	-30.30	\$ 297.39	\$ 26.8	\$ 11.90	\$ 8.36
Milwaukee Bucks	-33.05	\$ 285.55	\$ 25.7	\$ 11.42	\$ 4.07
Detroit Pistons	-33.17	\$ 273.55	\$ 24.6	\$ 10.94	\$ 2.39
New Jersey Nets	-32.72	\$ 256.37	\$ 23.1	\$ 10.25	\$ 0.61
Minnesota Timberwolves	-31.45	\$ 245.57	\$ 22.1	\$ 9.82	\$ 0.47
Charlotte Bobcats	-35.50	\$ 268.82	\$ 24.2	\$ 10.75	\$ (0.55)
Memphis Grizzlies	-37.88	\$ 274.65	\$ 24.7	\$ 10.99	\$ (2.18)
New Orleans Hornets	-40.10	\$ 263.94	\$ 23.8	\$ 10.56	\$ (5.79)
Utah Jazz	-45.58	\$ 290.43	\$ 26.1	\$ 11.62	\$ (7.82)
Orlando Magic	-55.24	\$ 348.42	\$ 31.4	\$ 13.94	\$ (9.95)
Indiana Pacers	-46.04	\$ 237.76	\$ 21.4	\$ 9.51	\$ (15.13)

That looks closer to the truth. I know that not every team is claiming the RDA, but that's not the player's fault. The bottom five teams come out as losers for their owners on the bottom line. For the most part this is a function of location

(7 of the bottom 10 are in my list of franchises in [overextended markets](#)), which again is not the player's fault.

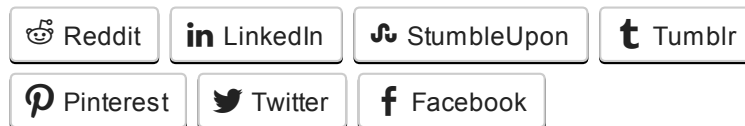
Tomorrow we'll get into how these numbers will look with the various deals being thrown around during the lockout. I hope you can wait that long!

-Arturo

*Disclaimer: **I do not have access to the NBA's books.** Everything in this article is put together from public statements or logical inferences. I do not claim to have this perfectly right. However, I do feel like I am in the ballpark. The sources I used are listed, please update me if there is a better location to get my data.*

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[The Bottom Line on the NBA Finances Part 2: The BRI Strikes Back](#) →

## 10 Responses to "The Bottom Line

# on the NBA Finances"

**A.K.S.** says:

November 8, 2011 at 9:45 am

Interesting article. For a sanity check, I compared the estimates you used for the Nets against the leaked audited financials for the Nets (which I think are the most recent leaked audited financials). Granted, your estimates are for 2011 and the latest leaked financials were for 2009 (the 2010 financials were only for 9 months, on account of the sale from Ratner to Prokhorov). Your estimate of operating income of \$91.6M were about 16% higher than the audited operating income of \$78.8M. Adjusting for the two year time difference, I'd say you were off by about 10% or so – not bad. With respect to operating expenses, I'd bet that the average \$63M you used for "other" expenses varies significantly among teams – the Nets, for example, had operating expenses excluding player salaries and amortization (which the NBA says is not included in the \$300M number) of \$48M or so in 2009. But with no way to know how the expenses vary among teams, the use of a flat \$63M average per team seems good enough an estimate as any. As I've posted before, you are incorrect about the RDA; no use in rehashing that here. And according to the Hambrecht survey you cite, NBA franchises values were flat between 2010 and 2011; they did not increase by 4% as you assert. Accordingly, I do not find your last chart useful. But the rest of the charts are quite interesting.

**W. Crimi (@lovethoseknicks)** says:

November 8, 2011 at 9:53 am

Two points.

1. Any appreciation of the value of the franchise should NEVER be included in a profit loss analysis. That's the "greater fool" theory that was used to justify the increasing prices of dot.com companies in the 90s and real estate until 2008. There are times that people pay idiotic prices for franchises and businesses based on their actual income streams. That has

been the case with the NBA. Without a split of BRI that brings the league into profitability on an aggregate basis, I can assure you the values for many teams will fall.

2. I don't understand all the nuances of the Roster Depreciation Allowance, but I thought it was addressed quite well by someone else a few weeks ago when he demonstrated it is NOT an issue in the financial statements presented to the players.

To begin with, even if you disagree with the RDA in terms of assessing business results, your beef is not with the owners. It's with the accounting standards board and IRS that agreed to it.

Secondly, I personally think it's a valid deduction.

Ask Dan Gilbert if the value of his franchise changed when LeBron went to the Heat.

There is no question that the value of a team is partly a function of the players it has under contract. That value is at its greatest when a star player is first signed. It shrinks the closer and closer it gets to contract renewal time because the player could leave.

We could argue all day about what the values should be and how to write them off over time, but that's the nature of accounting for things like depreciation that reflect declining values. They are estimates of reality, not reality itself.

**W. Crimi (@lovethoseknicks)** says:

November 8, 2011 at 9:58 am

I should add, that as star players age, their value also decreases.

**Dre** says:

November 8, 2011 at 10:24 am

Wayne,

The RDA as explained on the podcast with Rodney Fort was summed up nicely. It doesn't make sense unless the players are property (which they aren't). Additionally your point on Stars players decreasing with age isn't always true. Players improve with age when younger, stay consistent when older and then at some point start to decline. Depreciating with age is not a trend that is always true.

Also wiLQ pointed out with the appreciation, why isn't it valid? Owners sell teams and profit and no part of this is covered in the CBA. Why shouldn't profits from sales be included in the CBA? And the greater fools theorem was also addressed in the podcast. You can't really call something a bubble until you have hindsight. To just say "The values keep going up, it must be greater fools theorem" isn't valid.

Also as far as I can tell Arturo isn't disagreeing with the RDA. He's saying it is a valid deduction teams can take and the teams that aren't are making a mistake that should not be put on the players.

**A.K.S.** says:

November 8, 2011 at 10:29 am

In response to W. Crimi, I'd say that, while it is correct to state that franchise value appreciation shouldn't normally be used in an annual profit-loss analysis (after all, appreciation is not realized until a sale), I do think that the Players have a point that this is a benefit to the Owners that the Players don't currently share in. However, if I were running the NBPA, I wouldn't be arguing that the Players deserve some boost in BRI percentage because of the franchise value appreciation, I'd instead be asking for equity in the league – so that Players share the rewards (and risks!) of franchise value appreciation separately from the BRI split. (William Rhoden has a great article on this in the NY Times yesterday.)

**greyv** says:

November 8, 2011 at 10:45 am

Any chance you could recalculate those estimates at 50% and 47% BRI, so we can see how owner profits change?

Also, does anyone want to take a stab at unraveling decertification for me? I'm a little confused by the latest TrueHoop post about hardline owners wanting the players to reject the current proposal. My understanding is that if the players decertify, even if they lose the antitrust suit against the league, the league still has to negotiate each player contract individually. At this point, if the players don't have enough balls to start their own league or alternative basketball showcase, then I'm all for scrapping the CBA entirely and letting the Lakers and Knicks try to buy their way into championships ala the Yankees. I'm so tired of the tyranny of bad owners.

**Arturo Galletti** says:

November 8, 2011 at 10:53 am

Greyv,  
That's tomorrow's post. Day after is revenue sharing.

**Russ** says:

November 8, 2011 at 5:34 pm

Arturo, very good post, and in line with the numbers I've calculated, and raised in comments on other posts. The other thing worth noting is that, since the last CBA revenue growth has been much much stronger in the bigger markets than the small ones. According to the Forbes figures 2006-2010 the bottom-6 went backwards by 4%, the top-6 increased by 24%. That's a big problem for the smaller teams, though not one revenue sharing wouldn't fix.

And I remain baffled by the apparent salience of BRI in these negotiations. Why haggle over an exact figure that in the final wash-up is only a rough guide to what each team pays in salary?



Why not keep it in a range: a minimum of 47%, a maximum of 53%, if contracts totaled a figure outside that amount, it would get adjusted, otherwise players would get what was agreed to individually? Unless they don't want a deal – is it possible the small market owners are holding up player negotiations in order to force more revenue sharing (the big markets are probably losing the most in a lockout).

*The Bottom Line on the NBA Finances Part 2: The BRI Strikes*

*Back « Wages of Wins Journal* says:

November 9, 2011 at 9:59 am

[...] Part 1, I used all available public sources to break down the finances of every NBA Team (check it out for the full [...])

*The NBA Dribbles Toward Armageddon – Hot Ideas for a Cold*

*Economy – The Frying Pan* says:

November 15, 2011 at 3:32 pm

[...] real issue, however, is evident here. The charts indicate that some teams are losing money, while others have a license to print it. [...]

**Comments are closed.**