

THE SPORTIER

The Math Behind The MLB's Confusing Proposal

The MLB has somehow continued to stay in the news during the ease of the worldwide shutdown, though not for the best reasons. Two major events have occurred in the past week for the MLB: first, almost all minor leaguers in baseball were furloughed, let off without continued pay, due to the stagnant state of the MLB economy, and second, the MLB made its next pitch to the MLB Players Association. Unfortunately, for anybody trying to grasp the contract workings of this plan, it continues to get more confusing. First reported by ESPN MLB Insider Jeff Passan, the owners have proposed a sliding scale as their alternative on how to pay players' contracts during this time. In simpler terms, there are essentially 6 tiers of payouts based on original contract structure. Each dollar in each tier is paid at a different percentage. For the first tier, each dollar is paid at 90%, the second at 72.5%, the third at 50%, and the rest are detailed in the table below. This system ensures that the lower-paid players keep most of their money, while the highest-paid stars are taking large pay-cuts. Before making an analysis of the payout, let's take a look at the table below.

Player's 2020 Base Salary (Not Including Signing Bonuses*)	How much of each contract will be paid (in %)	Calculation after proposed % deduction	Final Calculation considering Prorated Contracts**
\$563,500 (League Minimum)	90%	\$507,150	~\$256,617.90
\$563,501 - \$1,000,000 (next \$436,499)	72.5%	\$316,461.775	~\$160,129.66
\$1,000,001 - \$5,000,000 (next \$3,999,999)	50%	\$1,999,999.50	~\$1,011,999.75
\$5,000,001 - \$10,000,000 (next \$4,999,999)	40%	\$1,999,999.60	~\$1,011,999.80
\$10,000,001 - \$20,000,000 (next \$9,999,999)	30%	\$2,999,999.70	~\$1,517,999.85
\$20,000,001 and up***	20%	\$3,199,999.80***	~\$1,619,199.90

*Even through this pandemic, signing bonuses are fully guaranteed, so they are not included in this calculation.

**The MLB owners propose to play 82 games in this situation, which is 50.6% of the normal 162-game season. As prorated contracts are paid by how many games you play, you multiply the original reduction by .506 to find your final contract proposed payout.

***The calculation for the sixth and final tier is using Mike Trout's (highest-paid player in baseball) 2020 base salary of \$36,000,000, so the portion of his contracted that is affected by the 20% reduction is about \$16,000,000.

Let's use an easy example to start. A player making the league minimum of \$563,500 would only fit into the first tier because their contract does not reach above this figure. In this scenario, their contract will be paid 90% before any prorated season reductions. This means that before prorated calculations, the player is making \$507,150. After we take into account that the players are only playing 50.6% of a season, you would multiply your new contract by 0.506. After all calculations, this player that would usually make the league minimum salary is actually making around \$256,617.90. That calculation was not too difficult. Now for Mike Trout's contract. Trout, the highest paid player in baseball, was slated to have a 2020 base salary of \$36,000,000. For Trout, you can see that he fits into every tier, as he makes money that climbs into every tier. To calculate his new proposed payout, since he fits into every tier, you have to take into account all of the different percentage changes for the different dollar levels across each tier, sequentially. Essentially, for Trout's first \$563,500, he makes 90% of every dollar. For his next \$436,499, he makes 72.5% of every dollar, and for his next \$3,999,999, he makes 50% of every dollar, etc. Then you still have to account for the prorated reduction, which is essentially a standard based upon games played. In the far right column are the final salaries after prorated contracts are considered. Since Trout fits into every category, you would add every row's total up to get your final answer. What you should find is that Trout would in reality be making approximately \$5,577,946.86, which is a fraction of his original salary \$36,000,000 base salary for 2020. Many people, including Jeff Passan, made the simple mistake of including the player's (in this case, Mike Trout's) signing bonuses in their calculations. In Trout's case, his signing bonus for 2020 is \$1,666,666, which is actually fully guaranteed. Including Trout's proposed change in base salary with the MLB owner's proposals as well as her guaranteed signing bonus for 2020, his 2020 "new" salary would be about \$7,244,613. The last part of the owner-proposed contract layout includes postseason bonuses. A pool of \$200,000,000 would be divided up amongst the players should a postseason occur, and, to offset the effects of the heavily earning players taking the greatest hit for contract reduction, the higher-paid players would receive a more significant piece of the postseason pool. The Players Association is expected to decline the overall offer, and instead, as ESPN reports, they expect to counter with a lengthier schedule of games to be played, essentially increasing the percentage for proration, and for contracts to be paid by in strictly on a prorated basis, rather than any additional reductions. The final thought that I will leave you with is Mike Trout's contract summary that he could potentially see during the pandemic.

2020 Base Salary: \$36,000,000

2020 Prorated Salary: \$18,216,000

2020 with Owner's Proposal: \$5,577,946.86

It now is clear why players are unwilling to budge.

Sources:

[Jeff Passan \(Twitter\)](#), [NY Daily News](#), [ESPN](#), [ESPN](#)