GENERAL FACTS FOR BOTH TEAMS

Unique among all other professional sports, professional baseball boasts not just thirty Major League Baseball (MLB) clubs but 261 affiliated Minor League Baseball (MiLB) clubs in 160 different communities spread out across North America from places like Kinston, North Carolina, to Boise, Idaho. The purpose of having so many minor league clubs is simple. Unlike other major sports, baseball skills often require significantly more development and neither NCAA programs nor international leagues can fulfill this need.

MLB club farm systems boast six different levels of minor league play from Rookie ball (designed to develop the skills of newly-drafted high school players and very young international athletes experiencing their first year in the United States) to AAA (both for prospects needing that last bit of seasoning and veterans vying for another shot at a big league roster). In fact, some MLB clubs have up to ten affiliate minor league clubs, allowing them to carry and train well over 200 players at a time, giving teams immense depth and otherwise-ignored players opportunities to make a name for themselves.

For a local community, however, a minor league team means much more than a place for young players to train and work to reach their dreams of big-league stardom—indeed for many remote communities and smaller towns, their local minor league team is the closest they can get to big-time professional sports without significant travel and cost. Minor league teams are an important family-friendly means of entertainment in communities that often do not have much else in that regard. Most minor league teams offer tickets in prime locations for as little as $10 each. To draw fans, they often focus game production on in-game promotions, including interactive games, special theme nights, and giveaways. In total, MiLB clubs drew in over 41 million fans in 2019—a 2.6 percent increase from the previous year and an average of 4,044 fans per game.
In recent years, however, the breadth and scope of the minor leagues has been a source of contention in professional baseball. The immense depth of the minor leagues comes as a major cost to the players involved, as minor league players are paid extremely poorly. In fact, Plaintiffs in the ongoing *Senne v. Office of the Commissioner of Baseball* allege that minor league baseball players at the lowest minor league levels receive as little as $1,200 per month over a five month season—far below the federal minimum wage as defined in the Fair Labor Standards Act (FLSA).

Under the current Professional Baseball Agreement (PBA) between MLB and MiLB, MLB clubs are responsible for paying minor league player salaries and other player development-related costs. The minor league teams themselves run business operations for each club, including facility upkeep, marketing, and front office salaries. However, that agreement is set to expire at the end of the 2020 season (September).

In October 2019, *Baseball America*’s J.J. Cooper reported that MLB has proposed to MiLB a new PBA structure that would revoke affiliation agreements with as many as 42 MiLB clubs, and leave them to either survive as unaffiliated independent clubs or close down. While MLB has pitched the plan to trim the fat from MiLB by revoking affiliation agreements with clubs with substandard facilities, the proposal comes alongside a plan to raise the salaries of minor league players.

In defending the plan, Commissioner Rob Manfred has stated that the plan—which was allegedly leaked unilaterally by MiLB—does not accurately reflect MLB’s new vision for the minor leagues. In particular, Manfred has noted that the restructuring plan does not eliminate any of the 42 teams but instead moves them into a new league, tentatively called the “Dream League,” which would serve as a proving ground for undrafted players—a group that would boast significantly more talent under the new plan than at the present since the plan also includes cutting the MLB First Year Player Draft from 40 rounds to 20. Manfred has also stated that the Dream League will be a joint MLB-MiLB venture, where MLB will share in some of the costs of running the new league.

Unfortunately for MLB, its plan to reshape the minor leagues was immediately met with swift and near-unanimous backlash by MiLB team owners, fans, and politicians at every level.

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MiLB team owners have pledged to fight the cuts at every turn and local, state, and even federal politicians, have directed their ire toward MLB’s proposal to eliminate affiliation agreements with 42 clubs. Others have decried the Dream League proposal as entirely unrealistic and, at best, a way to shift the costs of player salaries and travel from the MLB clubs to the minor league owners. At worst, MiLB owners feel that the Dream League is merely a ruse to avoid stating outright that the 42 teams will be simply and totally eliminated.

Many have accused MLB of lying about their reasons for cutting the teams; while MLB has stated that it is only looking to cut MiLB clubs playing in decrepit facilities that have not been renovated in years, a few of the stadiums used by clubs targeted for elimination have recently undergone taxpayer-funded renovations or such renovations have been approved. For example, Pennsylvania governor Tom Wolf has pointed to the $16 million in renovations currently going on at Erie’s UPMC Park—the home of the Erie SeaWolves—and Senator (and presidential candidate) Elizabeth Warren (D-MA), Sen. Ed Markey (D-MA), and Rep. Lori Trahan (D-MA) have highlighted the $1 million in renovations invested by the Lowell Spinners and the City of Lowell, Massachusetts, to upgrade the Lowell stadium’s lights and playing surface.

Political pressure on MLB to halt its plans has been both constant and bipartisan—a rarity in modern political times. In November 2019, a group of over 100 members of Congress led by Lori Trahan (D-MA) and David McKinley (R-WV) sent a letter to MLB expressing their “firm opposition to [MLB’s] radical proposal.” According to these members of Congress, “[t]he abandonment of Minor League clubs by [MLB] would devastate our communities, their bond purchasers, and other stakeholders affected by the potential loss of these clubs.”2 Later that month, Senator and presidential candidate Bernie Sanders (D-VT) met with MLB Commissioner Rob Manfred at MLB headquarters in New York to express his concern about the plan’s likely impact on the Vermont Lake Monsters, a MiLB club that Senator Sanders helped bring to Vermont.

Of concern to MLB, the 100+ member Congressional coalition opposing MLB’s plan boasts particularly powerful members of Congress, including two Democratic presidential candidates (Sanders and Warren) and House minority leader Kevin McCarthy (R-CA). These

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members of Congress have leverage over MLB, because it enjoys two exemptions from federal law that other industries—and even other sports leagues—do not: exemptions from the Sherman Antitrust Act, which blocks unreasonable restraints on trade and commerce; and the Fair Labor Standards Act, which sets federal minimum wage and requires time-and-a-half payment for overtime. These exemptions—to the antitrust laws and a key aspects of the Fair Labor Standards Act—help explain why MLB has been able to pay minor league players so little for so long, but removal of the exemptions has the potential to significantly disrupt MLB operations in a variety of areas even beyond their operation of the minor leagues.

In an effort to curb public backlash and find a deal that will benefit both sides, representatives of MLB have asked to meet with representatives of MiLB to see if they can come to a mutually agreeable understanding of what the final restructuring plan may look like. Both MLB and MiLB have given their representatives full authorization to be creative and find mutually beneficial agreements that will advance each side’s interests.

**FALL 2020 UPDATE**

Since October 2019, representatives for MLB and MiLB have met several times to try to bilaterally determine a new structure for the minor league systems. However, both sides are running out of patience—particularly now that the old Professional Baseball Agreement (PBA) between the two sides has expired. MLB has made moves towards consolidating the minor league structure within its own offices and has attempted to negotiate directly with several minor league club owners. In response, a leadership coalition of MiLB owners have sent representatives to meet with MLB’s representatives for a final time in a last ditch effort to attempt to reform the minor league system in a way that will work for both MLB and the minor league owners.
CONFIDENTIAL FACTS FOR MAJOR LEAGUE BASEBALL (MLB)

MLB’s negotiation team has now met with representatives from MiLB on several occasions and has presented what they see as a clear picture of their vision of the future of affiliated baseball system. In each negotiation, they have felt that MiLB’s representatives have been mostly resigned to the possibility that affiliated baseball will fundamentally change once the new Professional Baseball Agreement (PBA) is signed. In each passing negotiation, MLB’s representatives have gleefully reported back to Commissioner Manfred and MLB ownership that MiLB and its ownership has been mostly willing to comply with their demands. The financial strife caused to minor league teams by the loss of the 2020 season has only accelerated this feeling, and has given Commissioner Manfred and MLB ownership an increased resolve to make what they see as necessary changes to the minor league structure in these negotiation sessions.

Still, MLB knows that it needs the MiLB owners on board with a new PBA. While a few owners have proposed dropping the minor league system entirely or simply having MLB run things in house, the majority of ownership still prefers the current system, even if they agree that it needs some radical changes. And while MLB has worked to negotiate with minor league owners directly—even approaching affiliated leagues like the Atlantic League and American Association as an alternative to MiLB—it has been unwilling to secure nearly enough teams to reach what they see as the ‘magic number’ of 120 affiliated minor league teams.

MLB has two overarching goals in these negotiations: first, to radically simplify the way that minor league operations are handled; and second, to solve or at least lessen the various conflicts that exist between MLB teams and their minor league affiliates.

The first point is why the league has proposed dropping down to 120 teams in order to lock each MLB team into a set four affiliates and not allow some teams to have more than others. This will allow for four clearly defined minor league levels, all of which will be full season (mid-April to early-September). This is in sharp contrast to the current, much more unwieldy system with seven levels—some of which are full season, some of which are short season (late June to early-September)—where teams are inconsistent at the lower levels of whether they actually have a team at that affiliation level or not. For competitive balance and clarity purposes, 120 teams is the perfect number.
Of course, this means that a huge number of clubs will need their affiliation agreements revoked. Most will be easy cuts; a huge number of Rookie-level minor league clubs are housed in the MLB team’s spring training sites in Arizona and Florida are wholly owned and operated by the MLB clubs themselves. Additionally, the ten teams in the Rookie-level Appalachian League has already announced a transition to college-level summer ball and is no longer affiliated with MLB nor MiLB. This leaves 150 minor league clubs available, of which at least 30 will need to be cut. Preferably, however, this number will be 33, as MLB has found negotiations fruitful with three independent league teams—the Atlantic League’s Somerset Patriots and Sugar Land Skeeters and the American Association’s St. Paul Saints—and wish to add them as affiliated teams someday. Each of those three teams have state-of-the-art facilities and play in large markets (Central New Jersey, Southwest Houston, TX, and St. Paul, MN, respectively) where the local MLB clubs would love to add an additional affiliated team.

Determining which teams will be cut, is a complicated matter. MLB has already presented MiLB a list of teams that should be cut, based on several factors like age of facilities and attendance. However, if MiLB is willing to concede to the cuts, Commissioner Manfred is willing to give the MiLB owners the right to figure out which teams are to lose their affiliation agreement themselves, up to a certain point. If MiLB wishes to go this route, their final list of cut teams must not include any clubs that are owned in whole or in part by their MLB affiliates. For example, since the Gwinnett Braves are owned by the same ownership group as the Atlanta Braves, they would be off the table for MiLB’s cut list. Additionally, the MLB affiliates of each listed club must be given the right to reject their affiliate’s addition to the cut list. However, MLB is unwilling to accept an arrangement where the final number of teams is not a multiple of 30.

MLB is, however, willing to not drop these 33 teams completely from affiliated professional baseball. MLB is still very willing to assist in the creation of the ‘Dream League,’ a showcase league for players who went undrafted and unsigned as amateur free agents to show off their talents in front of a nightly crowd of club scouts. The Dream League would stand to have some solid talent, given the changes that MLB is making (with the MLB Players Association in collective bargaining) to reduce the number of rounds in the amateur draft, and that league could comprise of some or all of the suddenly unaffiliated teams. But this will only be possible if the MiLB owners are willing to help subsidize the new league.
Truth be told, the current plan for the Dream League is to house it in Florida and/or Arizona at or around the clubs’ spring training facilities. As hosting the new league at the spring training sites will cut down travel costs exponentially, this would allow MLB to fund the new league without the support of MiLB and its clubs. If MiLB insists on having the Dream League be hosted by all the clubs who are losing their affiliation agreements, however, MLB will need MiLB’s financial support to make it happen.

The Dream League is still a ‘dream’ at this juncture, so MLB does not have any hard numbers as to the actual monetary difference between hosting the league in Florida/Arizona versus hosting the league at the previously affiliated sites. They do know though, that hosting the league at the previously affiliated sites would lead to significantly more losses, as travel expenses would be much higher. As such, if MiLB insists on hosting the league at all 33 of the previously affiliated sites they and their ownership groups will need to agree to collectively contribute to funding the league by agreeing to cover at least 50 percent of the league’s year-to-year losses. If MiLB is willing to only save 10 of the previously affiliated sites for the Dream League, this would cut expenses even further and allow MLB to drop their demand for MiLB’s share of the losses to 25 percent. But if MiLB is unwilling to contribute even that small amount, MLB is more than happy to simply host the Dream League at the various spring training sites.

The league’s second overarching goal in these negotiations is to reduce the conflict between that exist between MLB teams and their minor league affiliates. Over the years, one major under-the-radar conflict between the MLB teams and their affiliates has been in regards to sponsorship deals. All too often, an MLB club will have an exclusive deal with a sponsor in a particular category that is undercut by a minor league team’s sponsorship with a competitor to that sponsor. An MLB team may have a deal with a national bank, for instance, while the MiLB team’s stadium may have sold their stadium’s naming rights to a competing bank. Having the MLB club’s brand affiliated with a competing sponsor has led to some conflicts with those sponsors, and the MLB clubs feel strongly that they could get even more money from sponsors if they were to sell those sponsors on a package deal that includes sponsorship rights at their minor league affiliates.

In previous negotiations, MLB has offered to take over the sales for sponsorship deals for minor league teams while giving minor league teams a 50-50 cut of those deals, after accounting for expenses. However, MiLB’s negotiation team has steadfastly refused to agree to this proposal in every negotiation so far. MLB is hoping that MiLB would be willing to reconsider, or at least
allow for the arrangement in specifically defined sponsorship categories. If MiLB were to agree to this new arrangement, MLB could perhaps even contribute more to the Dream League, and drop their demands for MiLB’s contribution down to 20 percent of the Dream League’s losses.

Another source of conflict between the MLB clubs and their MiLB affiliates is the length of the affiliation agreements. In the just-expired PBA, MLB clubs were generally only allowed to negotiation two- or four-year affiliation agreements with minor league clubs, leading to an awkward game of musical chairs every two years where clubs would court new affiliates, and even often steal affiliates from each other. The MLB clubs are largely tired of this biyearly ritual, and Commissioner Manfred feels that allowing for longer affiliation agreements—perhaps 10 years—would incentivize clubs to invest more into their minor league affiliates and solve another conflict: the painful disparity in facility quality between the clubs. If MLB clubs knew that their investment in enhanced facilities at their minor league affiliates would not be used to entice a rival to poach their affiliate in two-to-four years, they would be much more willing to make those investments. As such, sharply increasing the length of affiliation agreements is a major priority for Commissioner Manfred.

A final—but extremely important—conflict that needs to be addressed is the length of the minor league season. At present, the full minor league season (which once the league restructures will be the only minor league season) is 130 games plus the playoffs: a number of games that causes the season to stretch from mid-April to early-to mid-September. The MLB clubs feel that this number is much too long, and leads to significant fatigue for their young players—many of whom are then ticketed to play in fall and winter leagues in Arizona, in the Caribbean, or in Australia. Furthermore, the decision of when to call up top prospects has been a source of consternation between MLB and MiLB, as in previous years MLB clubs would want to call up many top prospects in early-September—the start of the minor league playoffs, or the exact time when the minor league clubs need their best players as much as possible. While MLB dropped the expanded roster rule for the shortened 2020 season and is doubtful that it will bring back the rule for 2021 and beyond, it wants the option to do so.

In a perfect world, MLB would want to cut the minor league season from 130 games to 100 games, which would allow the season to end before the start of September. However, Commissioner Manfred knows that cutting 30 games from the schedule represents a major loss in revenue for MiLB clubs, who largely depend on ticket sales to fund their operations. As such, if
MiLB is willing to play ball in other areas, they will agree to only cut 10 games from the schedule and move the date of the minor league season up to the start of April. This would at least allow for a similar end point to the yearly schedule, even if it does not reduce the fatigue of minor league players as much as the MLB clubs would like.
CONFIDENTIAL FACTS FOR THE MINOR LEAGUE BASEBALL (MiLB) OWNERS

Both publicly and private, the feeling is that negotiations between MLB and MiLB have not gone well for the MiLB owners. Ever since the PBA expired on October 1 without a deal between the two sides, writers commenting on the negotiation in trade outlets like Baseball America and on Twitter have viewed the negotiation as having shifted away from being between MLB and MiLB as an organization to being between MLB and individual minor league owners. MLB has made the same statement to MiLB itself, stating in countless negotiations that they see the current minor league system as being irreparably broken, and that only complete control by MLB can be the solution to its ill. This has led several MiLB owners to feel, as one owner said in an off-the-record statement to Baseball America, that negotiating with MLB is not negotiation, but instead “the terms of surrender.”

However, the leadership group of MiLB ownership seems some reason to hope. They feel that many of the moves that MLB has made with the purported end-goal of consolidating the minor league system within its own governing structure are simply efforts to assert leverage over the MiLB so that more owners will be willing to break ranks and negotiate with MLB on their own. In fact, the MiLB owners know that efforts by Commissioner Manfred to divide and conquer ownership have largely failed. While MiLB ownership has heard rumors of Commissioner Manfred and MLB representatives approaching ownership groups of clubs in independent leagues like the Atlantic League and American Association, the MILB owners know that there are not enough ownership groups in those leagues with the motivation to join affiliated baseball to replace those that are willing to hold out and use the political goodwill they have collected from furious politicians representing the areas scheduled to be impacted by MLB’s restructuring plan to force MLB’s hand.

MiLB largely understands MLB’s rationales for dropping the number of affiliated teams in the minor league system: the minor leagues have largely become unwieldy, with a large number of leagues with different governing rules, schedules, and inconsistent affiliations between them. Some MLB clubs have as many as ten minor league affiliates, while others have as few as seven. Consistency among the clubs within the minor league ranks would be helpful for MLB and for MiLB, but what the MiLB owners feel like MLB does not understand is the impact that dropping
the affiliation from MiLB clubs will have on the clubs’ surrounding communities. Many of those areas do not have access to any other professional sport—either purely due to location or due to socioeconomic factors—and minor league baseball is a major source of family-friendly entertainment in those communities. Cutting baseball in those areas will have a significant detrimental effect on those communities and will turn hurt baseball by turning those community members off from baseball forever. Furthermore, MiLB feels that MLB is underestimating the negative political reception that will come from cutting teams in those areas.

For these reasons, MiLB has from the start been staunchly opposed to the drastic cuts to affiliation agreements that has MLB envisioned. MiLB has already lost the Appalachian League—a 10-team league that decided to transition this summer to a collegiate wood bat league. This leaves MiLB, when excluding the solely club-owned Arizona and Florida Rookie leagues housed out of spring training sites, at 150 affiliated teams. Dropping that number down by another 30 teams would be an extremely hard pill for MiLB to swallow.

Some alternative options do exist, however. MiLB is still somewhat receptive to MLB’s idea of the ‘Dream League,’ a showcase league for players who went undrafted and unsigned as amateur free agents to show off their talents in front of a nightly crowd of club scouts. In fact, given the changes that MLB has made with the MLB Players Association in collective bargaining to reduce the number of rounds in the amateur draft, the Dream League could have some serious talent in its ranks.

If MLB is willing to allow the Dream League to be hosted in the communities of the newly unaffiliated clubs, MiLB could be receptive to allowing those cuts to affiliation agreements. Unfortunately, MiLB is somewhat stuck on this issue: its owners simply does not have the money to contribute much to the funding of this new league, but are wary of relying on MLB’s word that the league will continue for any reasonable length of time solely on MLB’s support. MiLB knows that if the Dream League were to be hosted at the various club sites—as opposed to a more centralized location like the MLB clubs’ spring training sites in Arizona and Florida—it would significantly raise expenses for the league, and perhaps make the new league untenable moving forward. This is unacceptable for MiLB; it will not allow MLB to give the communities being stripped of their affiliated team hope with a new Dream League team just to strip it away in a few years when the league is suddenly not profitable enough to keep funding.
While the best solution would be for MLB to just commit to funding the new league itself, MiLB owners in the locations on the chopping block are willing to commit to funding up to 20 percent of the new league’s losses. They feel that contribution should be more than enough to entice MLB into funding the rest and secure MLB’s commitment towards leaving the Dream League in place long-term in the impacted communities, rather than simply disbanding the league or moving it to Florida and/or Arizona when they feel they can do so.

One complication in MiLB’s position in saving the 30 minor league clubs on the chopping block is that due to losses sustained over the course of the lost 2020 season, some of those clubs are now insolvent. The number of clubs affected in this way changes on a day-to-day basis, but the number of sustainable clubs that could even host a Dream League team could be as little as fifteen. While MiLB is sure that the affected clubs would find a way to figure it out if they were given an option of hosting a Dream League team, having fewer teams in the league may be a way to drop the expenses of the league even further, and better incentivize MLB into hosting the league at these sites. As such, MiLB is willing to limit the number of newly unaffiliated clubs that can enter the Dream League. However, because of the complicated and everchanging nature of the situation, MiLB will only allow this if they are given a much larger measure of control over determining which clubs will be saved for the Dream League, and which clubs are left to either join an independent league or declare bankruptcy. Allowing MLB to simply present them a list of which clubs will be ‘saved’ is unacceptable.

In recent meetings, the MLB negotiation team has attempted to shift the conversation away from discussing which teams will be saved to attempting to get affiliated MiLB teams to agree to give up their power to enter into sponsorship deals themselves. Instead, MLB feels that due to the potential of conflicts between MiLB clubs sponsorships and the exclusive sponsorship deals entered into by their MLB affiliates, the MLB clubs should be responsible for entering into negotiation deals that cover the entire affiliation tree of clubs. The MLB clubs would then give their affiliate a cut of that deal, which was proposed by MLB to be a 50-50 split after taking out expenses.

This arrangement is completely unacceptable to MiLB ownership. Local sponsorship deals are the big moneymaker for minor league teams, who are already strapped for cash—especially following the lost 2020 season. On a near unanimous basis, MiLB ownership is completely unwilling to allow MLB affiliates to take over their sponsorship deals entirely. Instead, the owners
would allow MLB teams to protect certain, narrowly defined categories. These categories, however, cannot include beverage pouring rights, as those deals for many organizations are high value, long-term, and exclusive contracts that have steep penalties for breach.

Another potential change to the PBA terms that has been discussed all summer is the length of affiliation agreements. In the just-expired PBA, MLB clubs were generally only allowed to negotiate two- or four-year affiliation agreements with minor league clubs, leading to an awkward game of musical chairs every two years where clubs would court new affiliates, and even often steal affiliates from each other. The MiLB owners are largely tired of this biyearly ritual, and they feel that allowing for longer affiliation agreements—perhaps 10 years—would incentivize clubs to invest more into their minor league affiliates and solve another conflict: the painful disparity in facility quality between the clubs. The MiLB owners feel that if MLB clubs knew that their investment in enhanced facilities at their minor league affiliates would not be used to entice a rival to poach their affiliate in two-to-four years, they would be much more willing to make those investments. As such, sharply increasing the length of affiliation agreements is a major priority for the MiLB owners.

A final issue that has arisen in prior negotiations with MLB is the length of the standard MiLB schedule. One change that is certain to occur with the restructuring of the minor leagues is that the MiLB season will be standardized, with no more short-season affiliates. However, MLB’s representatives have made it clear that the MLB owners feel that the full MiLB season—130 games plus the playoffs—is much too long. However, the MiLB owners are insistent that the season cannot be reduced more than what is absolutely necessary as ticket sales are a primary driver of club revenue.

At the same time, MiLB owners are with MLB that having the season and playoffs overlap into September—when MLB clubs are allowed to bring up players onto expanded rosters—should be avoided. Too many MiLB owners have lost ticket revenue when their previously-world beating club has fallen apart in the first round of the playoffs because the MLB affiliate has called up the MiLB club’s best players up to the majors to sit on the bench for the MLB club. Shifting the MiLB schedule from the current setup, where the season starts in mid-April and ends in mid-September, to a new setup where the season starts in early-April and ends by the start of August, would solve a lot of problems for MiLB ownership. Such a shift would even make MiLB ownership more willing to drop a few games from the schedule. However, the owners are insistent that the season
must be at least 120 games, and the more revenue MLB forces them to lose due to the lost games, the less they should expect MiLB to be able to contribute to the Dream League.