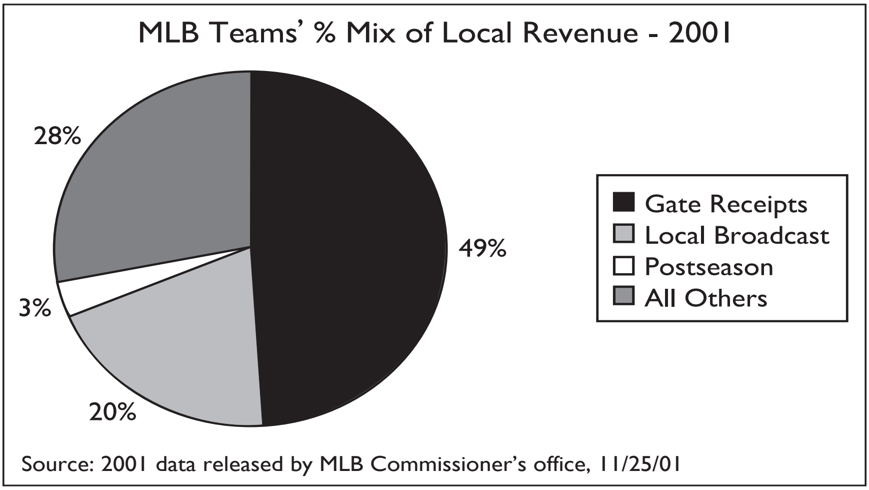

FIGURE 1.2 **MLB mix of revenue.**

the data released by the commissioner's office in 2001 provide some insight. Nonpayroll operating expenses averaged over $54 million per team, ranging from $35 million (Montreal) to $83 million (New York Yankees).[12] If we project increases of 5% per year in these costs, 2006 nonpayroll team operating expenses would average about $70 million per team, ranging from $45 million to $105 million. The estimated range of net revenues is $80 million for a last-place Kansas City team to $300 million for the Yankees.[13] If we compare the range of net revenues per team to the range of nonpayroll operating expenses, we can get a sense of the room left for player payroll. If the team with the lowest net revenue also had the lowest operating expenses, it would allow for about a $35-million payroll to break even, while the highest net revenue matched with the highest operating expenses would allow for a nearly $200-million payroll to break even (see Figure 1.3).

Even with the revenue sharing program from the 2002 CBA, which is designed to narrow the financial gap between the haves and the have-nots, any system that creates an affordable payroll range of $35 million to $200 million presents a challenging business environment for MLB clubs. If a team finds itself at the bottom end of the affordable payroll range, rather than go dollar-to-dollar with the big boys, it may need to take a different tact to compete. Building a strong player development system to feed the big league club with young, inexpensive talent is one tonic for a weak financial proposition. However, this approach is not a short-term fix, as it can take years to harvest the success of player development. Long before