

GOLDEN STATE WARRIORS

Salary Cap Prospectus 2023-2024

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~INTRODUCTION~

Why I decided to do this:

With so many new CBA changes being discussed in the media, I wanted to apply a practical application of the new rules to different team situations. I do want to note, this Prospectus is relying on the deal memo and not the text of the new CBA as it has not been released. Thus, some of the information may change accordingly.

Team Selection Approach:

I took two teams with different salary cap outlooks in the 2023-2024 Offseason:

- (1) a team below the Minimum Salary Threshold (Spurs);
- (2) a team projected to be over the newly implemented “Second Apron” (Warriors).

Analysis:

I did not want to opine on what a team *should* do, but instead wanted to determine the salary cap consequences *if* a team took different potential “Pathways” given (i) the team’s current salary cap situation and (ii) the phasing in of the new CBA rule changes through the 2025-2025 Salary Cap Year.

How to Read this Prospectus:

Feel free to use the links to jump to the information needed to better absorb the information. This does not read like a narrative. The Salary Cap numbers and roster breakdowns are there for reference for the “Pathways” and provide background why certain CBA changes affect this team the most.

Enjoy.

~Salary Cap And Roster Breakdown~

| <u>Current Salary Cap Status</u> | | |
|----------------------------------|---|---------------------|
| | League Levels (projected) ¹ | GSW Available Room* |
| Projected Salary Cap | \$134,000,000 | -\$46,927,313 |
| Luxury Tax | \$162,000,000 | -\$18,927,313 |
| First Apron | \$170,116,227 | -\$15,061,086 |
| Second Apron | \$179,500,000 | -\$5,677,313 |

*Team Salary set at \$180,927,313 with \$4.25 million Unlikely Bonuses after removing Cap Holds/Options (i.e. only includes Guaranteed and Non-Guaranteed Salaries)

| <u>2023 Offseason Roster Breakdown</u> | |
|---|--|
| Open Roster Spots - Four open roster spots on Active Roster in 2023-2024 season assuming Draymond and DiVincenzo opt out and First Round pick makes Active Roster | |
| <u>11 Players Under Contract</u> <ul style="list-style-type: none"> ➤ 11 Guaranteed Contracts <ul style="list-style-type: none"> ○ 4 Rookie Scale Contracts ○ 1 Extension Eligible Contracts ➤ 0 Non-Guaranteed Contract | <u>7 Expiring Contracts/Options</u> <ul style="list-style-type: none"> ➤ 3 Restricted Free Agents ➤ 2 Unrestricted Free Agents ➤ 2 Player Options |

| <u>Roster Breakdown After 2023-2024 Season</u> | |
|--|---|
| <u>2024 Offseason Outlook</u> <ul style="list-style-type: none"> ➤ 4 Guaranteed Contracts (~80% of forecasted Cap) <ul style="list-style-type: none"> ○ Curry (\$51.9 million) ○ Wiggins (\$26.2 million) ○ Poole (\$30.9 million) ○ 2023 1st Rd. Pick (\$3.4 million) ➤ 3 Rookie-Scale Team Options² <ul style="list-style-type: none"> ○ Kuminga ○ Moody ○ Baldwin Jr. ➤ 2 Non-Guaranteed Contracts <ul style="list-style-type: none"> ○ Looney (\$8 million) ○ Rollins (\$2 million) | <u>2 Expiring Contracts/Options</u> <ul style="list-style-type: none"> ➤ 0 Restricted Free Agents ➤ 1 Unrestricted Free Agents ➤ 1 Player Option |

¹ “Projected” Salary Cap is the NBA’s projection for the 2023-2024 Salary Cap Year. The “Forecasted” Salary Cap is a fixed 5% increase in each subsequent Salary Cap Year. See [Appendix B](#) for full mathematical breakdown.

² Deadline to exercise - October 31st, 2023. If not exercised, Player becomes RFA.

~2023 Roster Decisions~

Restricted Free Agents

| Player | Qualifying Offer | Pct. Projected CAP (\$134,000,000) |
|-----------------|------------------------------------|---------------------------------------|
| Anthony Lamb | \$200k above Min. Salary | 1.5% |
| Ty Jerome | Min. Salary + G League Comp. Prot. | 1.4% |
| Lester Quinones | Two-Way + \$50k Comp. Prot. | N/A |

Player Options

| Player | 2023-2024 Salary | Pct. Projected CAP (\$134,000,000) |
|------------------|------------------|---------------------------------------|
| Draymond Green | \$27,586,224 | 20.6% |
| Donte DiVincenzo | \$4,725,000 | 3.5% |

Rookie Scale Contracts - Team Options

| Player | 2024-2025 Salary | Pct. Forecasted CAP (\$140,700,000) |
|---------------------|------------------|--|
| Jonathan Kuminga | \$7,636,307 | 5.4% |
| Moses Moody | \$5,803,269 | 4.1% |
| Patrick Baldwin Jr. | \$2,448,840 | 1.7% |

Extension Eligible - Veteran³

| |
|--|
| <u>Klay Thompson</u> - One Year Remaining (\$43,219,440) |
|--|

Roster Decision Deadlines

| | |
|--------------------------------|--|
| Player Options | June 29, 2023 |
| Qualifying Offers | June 30, 2023 |
| Rookie Scale Team Option | October 31, 2023 |
| Veteran Extension (final year) | June 30, 2024 (prior to new Salary Cap Year) |

³ First year Salary of Veteran Extension can be up to 140% of the last year of original contract (up from 120%).

~Pertinent 2023 CBA Changes~

Pros and cons of the changes to the CBA given the current status of GSW's Salary Cap (see [Appendix A](#) for specific rule change; for all changes visit [CBA Change Tracker](#))

PROs - Changes likely to benefit GSW in upcoming offseasons

| Tax Bracket Increases |
|--|
| A high tax-paying team like GSW will receive <i>some</i> tax relief. Beginning in 2024-2025, the luxury tax brackets will begin increasing in accordance with the Salary Cap. As salaries continue to inflate with the anticipated salary cap, the tax brackets will coincide with such growth. |
| Player Option Amendment |
| If Draymond opts out of his Player Option (as expected), they may sign him to a lesser salary in the 2023-2024 Season than his Player Option amount (\$27.5 million)--a move previously prohibited. This gives leeway to sign Draymond should he be willing to take lower salary in exchange for more years. |

CONs - Changes likely to limit avenues of Salary Cap Optimization for GSW

| Implementation of Second Apron |
|--|
| The new “Second Apron” creates significant roster-building limitations should GSW remain a “Second Apron” Team. This offseason, they would only lose the Taxpayer Mid-Level Exception (TMLE), which was reduced to \$5 million. The more significant restrictions begin at the end of the regular season (e.g. limitations in trades) and beginning in the 2024-2025 Salary Cap Year (the “freezing” of draft picks and moving those picks to the end of the draft order). |
| As a Second Apron Team these roster-building limitations along with those imposed when going over the First Apron (discussed below) can significantly restrict GSW’s ability to manipulate the roster. |
| Increased Limitations on First Apron |
| The roster-building limitations for First Apron Teams are set out in detail in Appendix A . GSW must first take into account the timeline of implementation of these limitations (along with the Second Apron limitations), and weigh those limitations against the value of the players with salaries keeping them over the Aprons. Eventually, the benefit of retaining roster flexibility will likely outweigh paying certain players to remain on the roster/over the Apron. |
| Increased Tax Rates |
| Aside from roster-building limitations, the overall tax bill to be paid beginning at the end of the 2025-2026 Salary Cap Year will increase significantly. As an example, if such rates applied for the 2022-2023 Salary Cap Year, GSW’s tax bill would have been ~\$245,811,138 ⁴ - More than a \$75.5 million increase from the prior CBA. |

⁴ Assuming Team Salary is \$189,502,558. [$\$189,502,558 - 150,267,000 = \$39,235,558$ above tax line]. See the full mathematical breakdown at [Appendix C](#). It should be noted, however, the tax brackets will expand from \$5 million in future years assuming the Salary Cap continues to rise.

~Offseason Pathways~

Introduction

This Section is not meant to discuss how a team *should* proceed or what players a team should trade, release or acquire. Instead, I provide two different “Pathways” the team could realistically take in the near future and what effect the changes in the CBA will have to those Pathways.

It should be noted that both Pathways use a 5% annual Salary Cap increase, which is likely conservative and GSW would have more Salary Cap relief than what is stated.

Pathway #1 - The Last Dance: Retain core and enter Second Apron this Season

Pathway #2 - Early Movers: Maneuver large contract this offseason for immediate cap flexibility

Pathway #1 - The Last Dance

Summary

GSW resigns Draymond and retains the core roster for another title run this Season. Entering the 2024-2025 Salary Cap Year, Klay’s contract expires and GSW has the ability to move under the Apron. With the new CBA rules, teams under the Apron will have increased flexibility to maneuver players via trade and will have more beneficial salary cap exceptions. GSW can begin taking advantage beginning in 2024-2025.

Roster

Draymond

Resign Draymond to a 2 to 3 year contract with AAV of \$25 million. Seek to decrease salary over the contract term. Seek to negotiate a fully non-guaranteed third or fourth year to create flexibility to waive and stretch the contract.⁵

DiVincenzo

Cannot resign as there is no available Salary Cap exception providing market value to do so.

Remaining Three Roster Spots

Resign current RFAs/UFAs or sign other veterans willing to play for the Veteran Minimum to contend for a title.

Team Salary and Salary Cap

Team Salary

\$213,263,313⁶ - Projected Team Salary

- ~\$37 million above the Second Apron
- Subjects GSW to “Repeater” tax rates, but increased rates do not yet apply (eff. 7/1/2025)

⁵ Adding another year of 100% non-guaranteed salary would double the amount of years to stretch any dead salary while not increasing the amount of any dead salary.

⁶ Assuming the Draymond signing and signing three players at projected Veteran Minimum Salary.

“Second Apron” Roster-Building Limitations

- The team would only lose its TMLE (\$5 million) as a Second Apron Team this season.
- GSW would also be subject to the First Apron limitations ([see rule](#)). This may hurt the team’s ability to build depth around the core as it pushes toward a playoff push at the trade deadline.

2024-2025 Salary Cap Year

Team Salary

- ~\$179,945,543 projected Team Salary⁷ for Apron purposes
 - GSW is still an Apron team, but can avoid it depending on its decisions on Non-Guaranteed Contracts and Player Options (see below).
 - The benefit to letting Klay play in his final contract year (other than his value on the court) is the \$43 million salary coming off the books on July 1, 2024.

Non-Guarantees/Options

- If non-guarantees and options⁸ (below) are not exercised, Team Salary moves to \$160,795,844 .
 - Two Non-Guaranteed Contracts: Looney (\$8,000,000) and Rollins (\$2,019,699).
 - One Player Option: Payton II (\$9,130,000).

GSW Under First Apron

- GSW goes from a Second Apron Team in 2023-2024 to having the ability to operate under the First Apron if it chooses to do so depending on the Options and Non-Guaranteed Contracts.
- This creates significant trade flexibility created by the new CBA rules⁹ as well as more powerful Salary Cap Exceptions.
- The team could aim to rebuild around Curry or trade salary to dip under the tax to reset its “Repeater” tax status for the significant tax hikes set to take place in 2025-2026.

July 1, 2024 Projected Salary Cap

(\$179,945,543)

| | League Levels (projected) | GSW Available Room |
|----------------------|------------------------------|--------------------|
| Projected Salary Cap | \$140,700,000 | -\$34,996,243 |
| Luxury Tax | \$170,100,000 | -\$5,595,543 |
| First Apron | \$177,446,565 | -\$2,498,978 |
| Second Apron | \$188,475,000 | \$8,529,457 |

⁷ Guaranteed Contracts - \$140,657,428 million; Rookie Scale Options (prior year) - \$15,888,416; Non-Guaranteed Contracts - \$10,019,699; Unlikely Bonuses - \$425,000,000. Guaranteed contracts include \$25 million for resigning Draymond..

⁸ Note Looney and Payton II’s contracts would be decided upon prior to the start of the 2024-2025 Salary Cap Year.

⁹ Expanded trade allowance for Non-Apron Teams and ability to use NTMLE, Bi-Annual and Room Exceptions to acquire players via trade.

Pathway #2 - Early Movers

Summary

GSW gets a headstart on shedding team salary before the more significant tax hikes and roster-building limitations set in. Trading one of the larger contracts this offseason creates more negotiating power with other teams. Waiting until the following two offseasons may limit the trade market. With the new rules, Apron teams will have a difficult time matching salary to take on a large incoming contract.

Roster

Klay, Pool, Wiggins

These three players have the top three salaries on the team after Curry and should be considered tradable depending on assets received in return.

Tradable Salary Variables

GSW can manipulate potential suitors for salary matching purposes using two sets of variables:

1. If they make the trade *before* July 1, 2023:
 - a. Not subject to more stringent trade allowance rules for Apron Teams under new CBA;
 - b. Salary calculations are as follows¹⁰:
 - i. Klay - \$40,600,080
 - ii. Wiggins - \$24,330,357
 - iii. Pool - \$3,901,399 outgoing; \$25,780,279.80 incoming¹¹
2. If trade occurs *after* June 30, 2023:
 - a. New, more stringent, tradable allowance rules take effect ([see rule](#));
 - b. Salary calculations are as follows:
 - i. Klay - \$43,219,440
 - ii. Wiggins - \$24,330,357
 - iii. Poole - \$27,955,357

Team Salary After Trade (if no salary received in return)

| | League Levels (projected) | GSW Available Room* | Poole Trade (\$28,705,357) | Wiggins Trade (\$24,330,357) | Thompson Trade (\$43,219,440) |
|----------------------|------------------------------|---------------------------|----------------------------------|------------------------------------|-------------------------------------|
| Projected Salary Cap | \$134,000,000 | -\$48,677,313 | -\$19,971,956 | -\$24,346,956 | -\$5,457,873 |
| Luxury Tax | \$162,000,000 | -\$20,677,313 | \$8,028,044 | \$3,653,044 | \$22,542,12 |
| First Apron | \$170,116,227 | -\$12,561,086 | \$15,144,271 | \$7,519,271 | \$26,408,354 |
| Second Apron | \$179,500,000 | -\$3,177,313 | \$24,528,044 | \$16,903,044 | \$35,792,127 |

¹⁰ CBA Rule - After a Team's Season through June 30th, salary calculation in a trade shall equal the *lesser of* (i) the current full salary or (ii) next year's guaranteed salary.

¹¹ Poole is "Poison Pilled" due to his Rookie Extension.

Team Outlook After Trade

- GSW would be below the Tax Line with all three trades, but will likely stay over the Tax Line once the roster is completed (i.e. resigning Draymond, acquiring other players).
- GSW would have significantly more flexibility, as a Non-Apron Team, for the remainder of the current offseason to make additional trades and use the additional Salary Cap Exceptions.
- Should GSW trade Wiggins/Poole and let Klay play on his final year, their Salary Cap flexibility becomes greater in the 2024-2025 offseason as the \$43 million comes off the books.

APPENDIX A

CBA Rule Changes

PROs

| Rule | Rule Change |
|--|--|
| Increased Tax Bracket | <p>The “Tax Bands” will increase from the fixed \$5 million to increase at the rate of growth of the Salary Cap</p> <p><u>Formula</u></p> <p>[Prior Year Tax Band Amount] X ([Current Year’s Salary Cap] / [Prior Year’s Salary Cap])</p> |
| Permission to Decline Option and Sign for Lower Salary | Teams/Players can decline their Option and sign into an Extension where the first year is for less money than the Salary in the declined Option Year (prohibited in prior CBA) |

CONs

| Rule | Rule Change |
|------------------------------------|---|
| Second Apron Implementation | <p>A Second Apron to be implemented \$17.5 million above the Tax Line (adjusting with the Salary Cap in future years).</p> <p>Second Apron Teams lose the following rights:</p> <ol style="list-style-type: none"> 1. Lose Taxpayer Mid-level Exception 2. Unable to aggregate salaries of multiple players to satisfy Traded Player Exception (eff. after 23-24 Regular Season) 3. Cannot convey cash as part of Trade (eff. after 23-24 Regular Season) 4. Unable to acquire a Player using a TPE in respect of a player whose Contract was traded pursuant to a sign-and-trade (eff. after 23-24 Regular Season) 5. First Round Pick in 7th draft from last day of Regular Season cannot be traded (“Frozen Pick”) (eff. 2024-2025 season) 6. Frozen Picks fall to end of First Round if over Second Apron in 2 of 4 subsequent Salary Cap Years (eff. 2024-2025 season) |
| Additional First Apron Limitations | <p>Buyout market limitation - A Team exceeding the First Apron cannot sign a waived player (i) during Regular Season (ii) whose waived Salary for the then-current Salary Cap Year was greater than the Non-Taxpayer Mid-level Exception.</p> <p>A Team exceeding the First Apron is unable to use Traded Player exception in excess of 110% of the Outgoing Salary (lessened from 125% + \$100k), and such amount is to decrease to 100% beginning on the last day of the 2023-2024 Regular Season.</p> |

| | |
|--|--|
| | <p>Shortened time frame to use Non-Simultaneous Traded Player Exception (eff. after 23-24 Regular Season)</p> <p>The \$250,000 “Trade Kicker” included in the trade allowance for incoming salaries is not available (eff. 24-25 Salary Cap Year)</p> |
| <p>Non-Repeater Tax Rate Adjustments (eff. July 1, 2015)</p> | <p>Upper two tax brackets (currently set at \$10 to \$15 mm and \$15 to \$20 mm) will be increased \$1.00 and \$1.50, respectively.</p> <p>Note the tax rate for the first two tax brackets will be <i>lowered</i> for non-repeaters by \$0.50 each.</p> |
| <p>Repeater Tax Rate Adjustments (eff. July 1, 2015)</p> | <ol style="list-style-type: none"> 1. First two tax brackets (currently set at \$0 to \$5 mm and \$5 to \$10 mm) will be increased \$0.50; 2. Second two tax brackets (currently set at \$10 to \$15 mm and \$15 to \$20 mm) will be increased \$2.00 and \$2.50, respectively |

APPENDIX B
SALARY CAP PROJECTION BREAKDOWN

| 2023-2024 Salary Cap Year | 2023-2024 Salary Cap Year |
|--|--|
| Projected Salary - \$134,000,000 Percentage Increase - 8.14% | Forecasted Salary - \$140,700,000 Percentage Increase - 5% |
| Projected First Apron - \$6,996,729 Apron Formula - Increase prior Apron amount (\$6,716,000) by <u>half</u> the rate of the Salary Cap (4.18%) | Forecasted First Apron - \$7,346,565.45 First Apron Formula - Increase prior Apron amount (\$6,996,729) by the <u>full</u> rate of Salary Cap growth (5%) under the new CBA |
| Second Apron - \$17,500,000 Second Apron Formula - Fixed amount by new CBA for first year of implementation | Forecasted Second Apron - \$18,375,000 Second Apron Formula - Take prior Second Apron Amount and increase by the <u>full</u> rate of the Salary Cap growth (5%) |
| Minimum Salary - Increase at same rate of the Salary Cap (8.14%) | Minimum Salary - Increase at same rate of the Salary Cap (5%) |

APPENDIX C
Luxury Tax Calculation

| Tax Bracket | Old Rule | New Rule |
|----------------------------|-------------------------|----------------------|
| \$0-\$4,999,999 | \$12,499,997.50 | \$14,999,997 |
| \$5,000,000-\$9,999,999 | \$13,750,000 | \$16,250,000 |
| \$10 - \$14,999,999 | \$17,500,000 | \$27,500,000 |
| \$15 - \$19,999,999 | \$21,250,000 | \$33,750,000 |
| \$20 - \$24,999,999 | \$23,750,000 | \$36,250,000 |
| \$25 - \$29,999,999 | \$26,250,000 | \$38,750,000 |
| \$30 - \$34,999,999 | \$28,750,000 | \$41,250,000 |
| \$35 - \$39,235,558 | \$26,472,243.80 | \$37,061,141.20 |
| Total Bill | \$170,222,241.30 | \$245,811,138 |