Here's how to change the NHL salary cap for the better

By Sheldon H. Jacobson

The 2023-24 NHL hockey season is now underway. With every team's eye on winning the Stanley Cup, the biggest task faced by general managers is assembling a winning team. Yet to do this requires imagination to circumvent the salary cap that every team must abide by.

The salary cap is set as a percentage of the league's revenue in the prior season. It accomplishes several things.

First, no team can spend an unlimited amount of money to buy a championship-caliber team. Every team, no matter the size of its market, has the same budget to pay its players.

Second, salary caps ensure the solvency of the league. If salaries are being paid that exceed the league's revenue, some teams may be under significant financial pressures that can lead to their demise. Bankrupt franchises are not what makes the league strong and viable.

But the salary cap also has unintended consequences that may be hurting franchises.

Not all franchises are the same financially. Some play in large markets, such as Chicago and Los Angeles, while others play in smaller markets, such as Columbus in Ohio and Buffalo in New York. Treating each franchise in the same way may appear to level the playing field but does not capture the fiscal differences across all the markets.

The most obvious difference rests with the seven teams in Canada.

The salary cap is set in U.S. dollars; a Canadian dollar is equal to about 74 U.S. cents. The $83.5 million salary cap for the 2023-24 season translates to about $113.5 million in Canadian dollars, as of Wednesday. (The 2024-25 salary cap is projected to be $87 million to $88 million in U.S. dollars.) Since Canadian team players are paid in U.S. dollars, an imbalance exists for Canadian franchises, given that seat ticket prices and local revenue are generated in Canadian dollars. This places Canadian-based teams at a financial disadvantage. Higher tax rates, federal and provincial, in Canada further exacerbate the situation, which must be compensated for in base salaries to players on Canadian teams. The salary cap does not account for such disparities.

It is no surprise that the last time a Canadian team won the Stanley Cup was in 1993, and only two Canadian teams have even made it to the Stanley Cup Finals since 2008.

One symptom that the current salary cap model is broken is when teams give away players with cap-unfriendly contracts just to get their salaries off their payroll. In some cases, these deals must be sweetened with draft picks.

Tampa Bay Lightning right wing Nikita Kucherov, left, celebrates with teammate center Steven Stamkos after scoring a goal against the New York Rangers in Game 4 of the Eastern Conference Finals on June 7, 2022, in Tampa, Florida. CHRIS O'MEARA/AP

A recent example of this occurred last year when Calgary gave Montreal Sean Monahan (with a salary cap hit of $6 million in U.S. dollars) plus a first-round draft pick. A second example was in 2019, when Toronto gave Patrick Marleau and its 2020 first-round pick (with his $6.25 million cap hit) to Carolina. In both these cases, getting money off the books was as valuable as high draft picks.

So what can the NHL do to preserve the practical safety net for teams provided by the salary cap, while giving teams the flexibility to assemble rosters that keep them competitive and solvent?

One solution would be to create a three-year rolling window for salary caps. Considering that most players want multiyear contracts, teams could be given the flexibility to spread their salary cap space over multiyear windows. This means that some years may end up above the average annual salary cap, while others will be below. This will be particularly useful when teams are rebuilding; they could use the window to accelerate the rebuilding process.

Another solution is to limit all contracts to, at most, some specified term, such as five years. What gets teams into salary cap problems are long-term contracts that age poorly. This would give teams some risk reduction relief when market pressures force them to sign high-end players to long-term contracts that are certain to mismatch the player's value near the end of the contract.

Every team has players on their roster that they signed at market levels that, due to aging or injury, become an anchor on their team's competitiveness. This risk can be reduced by leveling the playing field on contract lengths.

Of course, players can be helped or hurt by such contract length limits. Those who have contracts ending when they are past their peak will be hurt since they cannot lock in long-term salaries that will likely age poorly. On the other hand, young players will benefit by signing shorter deals that will be upgraded when they must resign. Given that salary caps remain in place, such contract length upper bounds would better align salaries based on player performance.

Lastly, salary caps are now done away with during the playoffs. End this practice. The Tampa Bay Lightning in 2021 took advantage of this with Nikita Kucherov's preseason surgery to add him to the roster during the playoffs with no salary cap penalty. It gave them a competitive advantage on the ice.

The practical value of having a salary cap is being overshadowed by the harm it is causing in giving teams less flexibility to manage their rosters. The ideas proposed here should not be the end point but, rather, the beginning of discussions to give teams the ability to assemble competitive rosters, pay players fair market value for what they can bring to their team, and create a level playing field throughout the playoffs.

Without such changes, salary cap gymnastics will continue, serving no team's best interests.

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