

**Athletics Program Status Report Cover Page - 1/21/2014**

Page 2. History and Considerations

Page 3. Analysis Example

Page 4. Licenses issued for FY14

Page 5. Challenges with Recent Activity

Page 6 - 7. Athletics Program 5 Year Revenue and Expense History

Page 8. Conclusion

## History and Considerations

Division Concerns: The Athletics Program is currently not able to support itself on the licensing and event contributions that are the sole revenue of the program. The overhead, labor, and additional costs well exceed available revenue sources.

**Reasons for concerns noted above:** The Athletic Program is supported only by the professional boxing industry in the State of Montana. During the 2009 legislative session HB 171 was passed by the legislature and repealed all state regulation of professional and semiprofessional combative events. The reason for the elimination of the entire program at that time was because of the same concerns noted above. It was voted and passed in majority in both houses of the legislature to eliminate the program, but was noted by Governor Brian Schweitzer in a letter to then Speaker Bergren and President Story dated March 23, 2009 that:

*“...Any professional boxing events in Montana would go unregulated and would not be recognized nationally. None of the other combative events currently regulated by the state have federal safety counterparts”.*

Therefore, the professional boxing piece remained and all other portions were repealed per the request of the Governor.

However, since 2009 it has been discovered that events such as Mixed Martial Arts which are not regulated in Montana take place at a much higher frequency in Montana than professional boxing but in fact do have a federal safety component. Also, it has been discovered that any promotion service may employ alternative commissions from other states, the Association of Boxing Commissions or work with another neighboring state commission in order to have a “nationally recognized” event.

Furthermore, the State of Montana simply does not have the population density or event locations available in comparison to major metropolitan areas to support events large enough to justify costs. As it currently stands, Montana is one of the highest jurisdictions in cost when it comes to license fees for professional boxing; therefore raising the fees is most likely not a reasonable consideration at this time. It should also be noted in the 2013 legislative session that an attempt was made to reduce fees and alter the rule structure and both bills did not continue through the process.

**The following pages explore examples and statistical evidence to support the above claims.**

## Analysis Example for 9/21/2013 Montana State Championship Fight – Expenses v. Revenue

### Total Revenue for FY 2014 as of 9/21/2013

15 general license types comprised of pro boxers, managers, corners, refs, judges, etc...	675.00
Exam Fee	180.00
1 promoter license	500.00
Event earnings 5% of ticket sales from 9/21/2013	267.25
<b>Total in Revenues for FY 2014</b>	<b>1,622.25</b>

### Expenditures ONLY for base gross wages for the 9/21/2013 Championship Boxing Event

47.5 hrs invested 8/19 and 9/27 for both prep and completion split between (3) FTE	1,252.77
These expenses do not include overhead, taxes, insurance, work comp, etc...	

### Estimated Revenues from 9/21/13 Championship Boxing Event operational needs

11 general licenses types @ \$45 per license type	495.00
Staff cost to license 11 general license types	(59.00)
1 professional Promoter License	500.00
Staff cost to license 1 promoter license type	(145.00)
Event earnings 5% of ticket sales from 9/21/2013	267.25
<b>Total Revenue from 9/21/2013 Boxing Event</b>	<b>1,058.25</b>
Actual Revenue Generated: (1,058.25-1,252.77= -194.52)	(194.52)

**Licenses Issued for FY14 as of 1/17/14**

<b>First Name</b>	<b>Last Name</b>	<b>Record Status</b>	<b>Record Type Alias</b>
CAYLOB	WILVERDING	Active	Professional Boxer License
TIMMY	MASON	Active	Professional Boxer License
ROGER	CANTRELL	Active	Corner Second License
DANA	WAGNER	Active	Judge License
JESSE	UHDE	Active	Professional Boxer License
SAM	ATKINS	Active	Professional Boxer License
DURAN	CAFERRO	Active	Professional Boxer License
TYLER	CANNING	Active	Professional Boxer License
LEMUEL	CHESMORE	Active	Corner Second License
MICHAEL	CAMPBELL	Active	Manager License
BRYAN	PORCH	Active	Manager License
CHRISTOPHER	EAMON	Active	Corner Second License
KEVIN	MCCARL	Active	Judge License
KEVIN	MCCARL	Active	Referee License
DURAN	CAFERRO	Active	Promoter License
DURAN	CAFERRO	Active	Manager License
RUSS	HANSEN	Active	Referee License
TIMOTHY	BRAATEN	Active	Corner Second License
CLINTON	SMITH	Active	Manager License
GENE	TALKS DIFFERENT	Active	Manager License
ANDREW	HOWK	Active	Professional Boxer License
ARNOLD	SISNEROS	Active	Professional Boxer License
ANGEL	TORRES	Active	Professional Boxer License

## Challenges with Recent Activity

\*\*\*Note: In order for an event to fully justify costs, the event earnings of **5%** would need to be relatively close in value to the Estimated Expenditures for wages for each specific boxing event's operational need, considering that the revenue from licensure would in fact cover all additional overhead and program functions.

For example: The ticket sales from the 9/21/2013 Montana State Welterweight Championship Professional Boxing event were submitted by the promoter Duran Caferro, Sr. for **\$5,345.00** based on **283** total tickets sold (*note: 8 tickets were for tables which seated 6-10*). The event earnings of **5%** of ticket sales equated to only **\$267.25**, which is **(\$985.52)** short of covering the expenditures ONLY for base gross wages for the 9/21/2013 Championship Boxing Event.

\*\*\*\***Based on an estimate in total revenue required for event earnings**, in order for the wages of operation needs to be covered, the ticket sales would have needed to exceed approximately **\$25,055.40 per event**, which is roughly (5) times or **380%** more in ticket sales increase. Therefore, unless each professional boxing event is able to increase ticket sales by approximately **380%**, the event earnings of **5%** cannot feasibly cover the general expenses in wages to prepare and complete all operational needs to effectively run a professional boxing event not including licensing costs.

The program is currently *(5,502.75)* in revenue less expenses and has ending cash as of 1/16/14 of *(7,124.49)*

If we based the same costs on 1 event, to cover the event costs and to make up for current loss in revenue, promoters would need to put on **8.41** professional boxing events, with excess of **\$25,000** in ticket sales per event, totaling approximately **\$210,768** in ticket sales prior to the completion of FY 2014 just to break even. Again, keep in mind this is not considering additional overhead or additional licensees, application processing, etc...minus those required to effectively operate each professional boxing event.

Please refer to the **Athletics Program 5 Year Revenue and Expense History on the top of the next page.**

<b>Athletics Program 5 Year Revenue and Expense History</b>					
<b>Athletics Program Fund 02841</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
508001		45.00	(45.00)		
508002			135.00		
508004	45.00	45.00	180.00	135.00	45.00
508005			135.00	405.00	135.00
508007			405.00	900.00	180.00
508009			360.00	585.00	135.00
508011			1,500.00	1,000.00	500.00
521058			1,157.50	1,620.00	180.00
521059			35.00		
521072			1,414.25	3,374.25	267.25
<b>Total Revenues</b>	45.00	90.00	5,276.75	8,019.25	1,442.25
<b>508299 Revenue for other funds temporarily deposited * (See Bottom of Page 11)</b>			(7,010.00)	(6,920.00)	(28,777.50)
61100 Salaries				6,971.85	3,394.70
61400 Employee Benefits				2,343.38	1,178.98
62100 Other Services				1,064.62	425.65
62200 Supplies & Materials				273.05	147.97
62300 Communications			0.78	184.46	135.10
62400 Travel			611.90	1,118.16	0.25
62500 Rent				358.88	285.92
62700 Repair & Maintenance			10.00	8.94	0.50
62800 Other Expenses			200.00	1,670.72	1,375.93
66100 From State Sources					
68100 Fund transfers					
<b>Total Expenditures</b>			<b>822.68</b>	<b>13,994.06</b>	<b>6,945.00</b>
<b>Difference</b>	45.00	90.00	4,454.07	(5,974.81)	(5,502.75)
<b>ATHLETICS PROGRAM CASH HISTORY</b>					
<b>Beginning Cash FY 10</b>	<b>\$ (79.20)</b>				
<b>Revenue FY 10</b>	<b>\$ 45.00</b>				

Expenses FY 10	\$ -	(expenses were moved to division)			
Ending Cash	\$ (34.20)				
Beginning Cash FY 11	\$ (34.20)				
Revenue FY 11	\$ 90.00				
Expenses FY 11	\$ -	(expenses were moved to division)			
Ending Cash	\$ 55.80				
Beginning Cash FY 12	\$ 55.80				
Revenue FY 12	\$ 12,286.75				
Uncleared Rev deposited to 2841 moved to correct funds	\$ (7,010.00)				
Expenses FY 12	\$ (822.68)				
Ending Cash	\$ 4,509.87				
Beginning Cash FY 13	\$ 4,509.87				
Revenue FY 13	\$ 14,939.25				
Uncleared Rev deposited to 2841 moved to correct funds	\$ (6,920.00)				
Expenses FY 13	\$ (14,244.06)				
Adjustment to Revenue for \$45 in 2012 entered as negative	\$ 90.00				
End of year cash adjustments	\$ 3.20				
Ending Cash	\$ (1,621.74)				
Beginning Cash FY 14	\$ (1,621.74)				
Revenue FY 14 to date	\$ 30,219.75				
Uncleared Rev deposited to 2841 moved to correct funds	\$ (28,777.50)				
Expenses FY 14 to date (1/16/14)	\$ (6,945.00)				
Ending Cash as of 1/16/14	\$ (7,124.49)				

**\*In 2012 the Business Standards Division went live with a new database for licensing-Accela.** Issues developed between the database functionality and Montana Interactive, the state's contracted online payment processor. On occasion, payments made online are received, but are unable to "connect" to the Accela record and have to be manually applied. Before the manual application takes place, Montana Interactive has to have a holding account for the funds so they can be deposited timely as required by statute, and then properly distributed to the correct board or program.

In FY 2012, because the Athletic Program had so little activity, it was decided that the money could be deposited to that fund code under a specific revenue code that would be used for no other purpose and would be easily identifiable. As of December, 2013, this

practice has stopped and a fund that is directly connected to SABHRS and not associated with any other board or program, has been put into use for the occasion when these online payments do not connect properly. Any existing revenue in the Athletics Program Fund that needs to be moved to the correct board or program will be reconciled by the end of January, 2014.

**Options to fund the Athletic Program.**

1. Raise general licensing application fees from \$45 to approximately \$398 per individual, and raise the promoter fee to \$1,900 per promoter application. This alone would only cover event costs not including additional general department overhead.
2. Develop a plan to have 8 professional boxing events per year, in excess of \$25,000 in ticket sales per event.
3. Change the percentage of revenue, currently at 5% per event, to 23-24% of the gate, which is a higher percentage in order to consistently cover costs to the department to staff the event. This is based on the expectation that the average cost for an event in staff time is \$1,252.77 and the event grossed a total ticket sales of \$5,345, the % of gate to the department per event would need to be 23-24%.
4. The department could bill the program a flat rate for each event. What would this cost look like broken down by prep time, size of event, and travel expense. This cost would be the result of tracking all related time. In other words, for the 9/21/2013 event a flat charge to the promoter of roughly \$1,250 would be required to cover costs, which is also the same as a 23-24% of the gate.

The Department does not see any of the options above as being reasonable paths to fund the program as it puts undue burden on the fighter and promoters and a significant amount of their revenue would be consumed by the administration of the Athletics program. That is why the Department has request you review this program and provide recommendations on how to proceed.