



North Carolina Department of Public Safety

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Roy Cooper, Governor

Eddie M. Buffaloe, Jr., Secretary

Memorandum

To: Joint Legislative Oversight Committee

From: North Carolina Boxing and Combat Sports Commission

Re: Receipt-Supported Budget Report

Thank you for your continued support of the North Carolina Boxing and Combat Sports Commission (NCBCSC), which ensures the safety of combat sports events while providing tourism revenue across the State each year. Pursuant to Senate Bill 105/SL 2021-180, GS 143-652.2 Section 19 A.7.(h), the NCBCSC shall submit a report indicating what steps are being enacted to become receipt-supported.

Introduction

The Commission wishes to impress upon the committee that the request to pursue a receipt-supported commission is appreciated but unprecedented. Accordingly, we want to provide realistic expectations based on our research and expertise. Though the Commission would welcome the opportunity to become the first Commission in the nation to achieve the status of being receipt-supported, there currently is little guidance as no commission in the United States has achieved this goal. There is also little evidence North Carolina will accomplish this goal in the near future based on empirical evidence. Although NC is among the top ten states in the nation for the number of events, the highest volume states, such as Nevada, New Jersey, and California, have not achieved fully receipt-supported status either. These states have recognized the return on investment value combative sports events have generated for their regions in addition to the fighter and public safety component.

In contrast, the Commission will continue to pursue the goal, by taking the measured approaches listed in our outline below. However, we want to provide full disclosure regarding the barriers. Historically the Commission has never been able to achieve a complete receipt-support base. Please see the attached report showing the gross revenue received from 2015 through 2020. It must be noted that though the NCBCSC will make every effort to secure revenue and become a receipts-based organization, the Commission is a regulatory-based organization. As such, there are limitations on our abilities to seek out revenue; we must maintain regulatory status and ensure there are no actual or potential conflicts of interest. Event regulations are in place to

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protect the public, including the fighters and spectators. Creating the first ever receipt-based Commission could be detrimental to the Commission's fundamental goals which is public and fighter safety. Further research and implementation are warranted and will be a priority in the Commission's strategic plan. Which is to be operational starting January 2023. Also, raise fees and network with other states and promoters to encourage events to come back to North Carolina and increase the volume of events.

Immediate Personnel Actions

1. Interim Director hired
2. Assistant Director hired
3. Currently interviewing staff position
4. Securing office space
5. Officials training (judges/referees)
6. Inspector training
7. Implement Commission representative training

The new Commission began under DPS on 1/1/2022. Upon receiving a budget in 2022, the Commission reorganized as a new agency. The ALE curtailed the utilization of its agents as representatives at events. This has created a broad personnel and training challenge. Navigating personnel implementation and creating the new organization has occupied much of the resource time so that the State is prepared to host events again in 2023. Training should be complete by the end of October 2022. Personnel will be deployed across the State with direct Commission-trained representatives at events. The State of North Carolina has not hosted a combative event since 2020.

Policy Actions

The Medical Committee created recommendations based on the Association of Ringside Physicians that improve and bring clarity to current NC statutes regarding medical guidelines and requirements. The Commission voted to adopt the recommendations during the 8/4/22 meeting. This action places the State in the most competitive advantage in attracting high-value events that require the latest safety modalities.

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The NCBCSC Rules Committee is examining a Special Permitting Section to address the problem of new styles of the sport as they are created in the industry. This will stop the necessity of having to rewrite new rules every time this comes up and a promotion wants to hold an event in this state. This action attracts more varied combative events coming to North Carolina.

We recommend to the General Assembly to increase our fee structure, which was last updated decades ago. The current fee structure is under Article 68, NC GS 143-655. The Commission is recommending each fee be increased by \$25. This action aids in receipt-based revenue.

The Commission also is pursuing a change in the Admission fee receipt structure. Currently, promoters submit a fee of \$2.00 per spectator. The Commission recommends changing the structure to mirror the best practices of Georgia, South Carolina, Tennessee, and Virginia, which currently charge a 5% gate fee. The fee collection for high-profile events would increase. For example, NC hosted a UFC event on 1/25/2020. There were 12,609 spectators in attendance, and NC collected \$25,218. UFC collected \$1,300,000 at the gate. This change would have netted \$65,000 at a 5% gate fee. This action has little effect on small events but is progressive regarding high-value events.

Identified Challenges

There have been no events in NC in 2 years. Our research anticipates a slow pace of regrowth as promoters re-engage events beginning in 2023. The Commission projects a 2-3-year window to return to our 2018 number of events.

We reviewed our past receipts (see attached schedule). Even at the commission peak around 2018-2019, receipts have never covered the cost of the Commission's work. There are no other states that are entirely receipt-supported. This includes States with a higher volume of events and more high-valued events with more hours of televised time.

Legal scholars have articulated conflict of interest concerns if receipt-based support is achieved. The question of a regulatory agency supported by the events they regulate requires further study even if the unprecedented goal is achieved.

Outlook

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The Commission generates millions of dollars in tourism revenue annually through its works. Like the NC Department of Agriculture, which facilitates a high state value event such as the NC State Fair or NC Commerce supporting conventions across the State, the NCBCSC pursues sporting events that generate tremendous revenue dollars in North Carolina. Many of these events are televised across the nation, providing additional publicity. Our extensive schedule of events across the State fills arenas. It attracts nationally televised events such as UFC, Bellator & CBS Sports broadcast via Pay per View or CBS Sports live from North Carolina.

The value of the Commission's work for the State far outweighs the budgetary cost by any metric. Every dollar invested in the Commission's work generates revenue & publicity in a unique return on investment to the State. Some of the Commission's budgetary requirements are: Personnel that includes an Executive Director and two assistants, office space and equipment, office supplies, travel expenses, legal counsel, training, commission vehicle, and other expenses as needed.

Summary

The Commission has implemented personnel actions, hired staff, and essentially begun a new state agency reorganizing from its former advisory capacity. We have pursued policy and guideline changes that will attract higher-value events and align North Carolina with other leading states. The Commission has reviewed its past receipts. This research indicates that full disclosure of the evidence reveals that a receipt-supported commission is unprecedented in the US and unlikely. There is also evidence that, if achieved, other conflicts would need to be addressed. However, the commissions' research also reveals the high value it provides in tourism revenue & publicity across that State, unlike other non-receipt-based agencies. The Commission will continue to pursue receipt support revenue mutually exclusive of whether complete receipt support can be achieved. The Commission thanks the legislature for their continued support & recognition of the vital work and value of the NCBCSC.

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Fiscal Year	Number of Sanctioned Events	Gross Revenue
FY 15/16	50	\$128,152
FY 16/17	36	\$122,448
FY 17/18	41	\$146,572
FY 18/19	48	\$136,722
FY 19/20	9	\$35,881

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