

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2316-01
Bill No.: HB 914
Subject: Economic Development Dept.; Entertainment, Sports and Amusements; Licenses
- Professional
Type: Original
Date: March 5, 2007

Bill Summary: Modifies the provisions of Chapter 317 relating to the licensing and regulation of Mixed Martial Arts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$40,138	\$40,138	\$40,138
Total Estimated Net Effect on General Revenue Fund	\$40,138	\$40,138	\$40,138

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Athletic	\$47,224	\$24,894	\$44,909
Total Estimated Net Effect on <u>Other</u> State Funds	\$47,224	\$24,894	\$44,909

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$26,363	\$26,363	\$26,363

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and **Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state the board has assumed there will be approximately 38 annual events each year. Should the number of events vary, the appropriation and revenue will also vary.

It is assumed that each of the 4 staff inspectors, as well as the 26 contracted inspectors, will need additional training. It is estimated the training will cost \$404 per training session for each inspector with 3 training sessions per year (\$12,120 total for each inspector) and an additional \$100 per training session for each contracted inspector (\$7,800) for per diem charges. It is further assumed that each training seminar will need 2 trainers (\$1,112 per trainer for each seminar).

It is assumed that 2 contracted inspectors will need to attend each event (38) and be paid a per diem per event of \$150.

It is assumed that the average gate will be \$25,000 per event. There is a 7 % state and local sales tax, and a 5% gate tax on the remaining gate income for a total of \$1,163 total gate tax received by the Athletic fund per event.

The DIFP assumes application revenue will be generated for contestants, judges, referees, promoters, announcers, timekeepers, matchmakers, events, etc. Based on the number of different categories of applications that could be received, the DIFP estimates total applicant fee revenue of \$37,740 for FY 08; \$16,550 for FY 09; and \$37,740 for FY 10. The DIFP assumes judges, referees, announcers, timekeepers, and matchmakers, etc. will receive biennial licenses.

The DIFP estimates additional funds to the Athletic Fund of \$43,918 for FY 08; \$21,588 for FY 09; and \$41,603 for FY 10, net of expenses.

ASSUMPTION (continued)

Oversight notes per section 317.006 of the proposal, a tax of five percent (5%) on the gross receipts derived from admission charges is to be deposited into the Athletic Fund. In addition, there would be state and local taxes charged on the admission charges for the events. Assuming \$25,000 per event and 38 events per year, gross receipts would be \$950,000 (\$25,000 X 38). \$47,500 would be deposited into the Athletic Fund annually (\$950,000 X 5%). In addition, **Oversight** estimates the General Revenue Fund would receive approximately \$40,138 (\$950,000 X 4.225% state tax rate) from these events annually. Assuming an average local tax rate of 2.775% (7% minus 4.225%), local governments would receive approximately \$26,363 annually. As noted by the DIFP, if the number of events vary, so will the tax revenues collected and deposited into General Revenue, the Athletic Fund, and local governments.

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Income - DIFP</u>			
Increase in tax revenue from athletic events	<u>\$40,138</u>	<u>\$40,138</u>	<u>\$40,138</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$40,138</u>	<u>\$40,138</u>	<u>\$40,138</u>
ATHLETIC FUND			
<u>Income - DIFP</u>			
License fees	\$37,740	\$16,550	\$37,740
Gate tax revenue	<u>\$47,500</u>	<u>\$47,500</u>	<u>\$47,500</u>
Total <u>Income</u> - DIFP	<u>\$85,240</u>	<u>\$64,050</u>	<u>\$85,240</u>
<u>Costs - DIFP</u>			
Inspector training	(\$26,616)	(\$27,414)	(\$28,237)
Event reimbursement	<u>(\$11,400)</u>	<u>(\$11,742)</u>	<u>(\$12,094)</u>
Total <u>Costs</u> - DIFP	<u>(\$38,016)</u>	<u>(\$39,156)</u>	<u>(\$40,331)</u>
ESTIMATED NET EFFECT ON ATHLETIC FUND	<u>\$47,224</u>	<u>\$24,894</u>	<u>\$44,909</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS - CITIES AND COUNTIES			
<u>Income - Cities and Counties</u>			
Gate tax revenue	<u>\$26,363</u>	<u>\$26,363</u>	<u>\$26,363</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - CITIES AND COUNTIES	<u>\$26,363</u>	<u>\$26,363</u>	<u>\$26,363</u>

FISCAL IMPACT - Small Business

This proposal could have a positive fiscal impact on small businesses located in the areas where sporting events were held.

FISCAL DESCRIPTION

This proposal changes the laws regarding the regulation of mixed martial arts, full contact karate, boxing, kickboxing, and wrestling. In its main provisions, the proposal: (1) Authorizes the Division of Professional Registration within the Department of Insurance, Financial Institutions, and Professional Registration to establish rules governing amateur sanctioning bodies; (2) Allows a gross receipts tax to be assessed on pay-per-view telecasts of these events; (3) Expands the disciplinary authority of the Office of Athletics within the division; and (4) Requires contestants participating in boxing, kickboxing, wrestling, full-contact karate, or mixed martial arts to sign a bout contract with the event promoter before each contest which specifies their weight, how much they are being paid, and the date and location of the event.

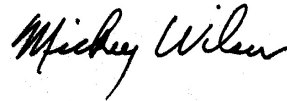
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

HWC:LR:OD (12/02)

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Department of Insurance, Financial and Professional Regulation
Department of Revenue
Office of Secretary of State
Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized "M" and "W".

Mickey Wilson, CPA
Director
March 5, 2007