



State of Arizona Office of the Auditor General

PERFORMANCE AUDIT

ARIZONA STATE BOXING COMMISSION

Report to the Arizona Legislature
By Douglas R. Norton
Auditor General
October 1996
Report 96-14



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October 10, 1996

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Mr. Michael Preston Green, Chairman
Arizona State Boxing Commission

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona State Boxing Commission. This report is in response to a May 17, 1995, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §§41-2951 through 41-2957.

The report addresses continued problems with collecting state revenues owed from boxing matches; provides recommendations for increasing boxing revenues; and recommends that the Legislature ban nontraditional boxing matches known as "ultimate fighting."

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on October 11, 1996.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Boxing Commission, pursuant to a May 17, 1995, resolution of the Joint Legislative Audit Committee. This audit also included a review of the Department of Racing's boxing-related responsibilities.¹ The audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

The Arizona State Boxing Commission and the Department of Racing share boxing regulation duties. The Commission oversees boxing matches; licenses boxers, referees, judges, and others associated with boxing; and is responsible for rule and statute enforcement and complaint resolution. The Department of Racing is responsible for collecting boxing revenues owed to the State.

Continuing Problems with Collecting Boxing Revenues (See pages 5 through 9)

The State may not be receiving all tax revenues it is entitled to. Promoters have not complied with the administrative rule requiring that they provide ticket manifests before fights that show how many tickets were printed and the number in each price category. In addition, the Department has not held meetings with promoters within three working days after boxing matches to account for all sold tickets, as required by administrative rule. For example, at one match auditors attended, both the auditors and a Department of Racing official estimated about 2,000 persons were attending. However, the promoter paid the State's 4 percent tax based on 1,224 tickets sold. Department employees have since been able to verify actual ticket sales of 1,788, and the Department is attempting to collect state tax on this attendance total. Without the verified ticket manifests and information provided by promoters after fights, the Department cannot ensure the State is receiving the proper amount of revenue.

The Boxing Commission has sufficient statutory authority to ensure compliance with statutes and administrative rules. The Commission can suspend or revoke licenses, and impose an administrative fine up to \$1,000. In addition, any of the three commissioners can immediately suspend a license for up to 10 days if, in their opinion, the State's welfare is threatened. Although the Department of Racing has informally notified the Commission of problems in collecting revenues, it has never formally requested that the Boxing Commission address promoter noncompliance. And, even though the Commission had informal knowledge of promoter noncompliance, it did not independently address these problems because it did not consider

¹ A performance audit and Sunset review of the Department of Racing's other duties is underway and will be released early next year.

informal communication a sufficient basis for disciplinary action. The two agencies need to better communicate and cooperate in order to ensure compliance with law. Requiring promoters to obtain cash or surety bonds annually would provide another safeguard against promoter noncompliance.

Because these problems with collecting revenues have been identified in previous Sunset reviews, greater followup is needed. We recommend that the Legislature only continue the Commission for three years. If in three years another review finds the same problems still exist, the Legislature should consider transferring responsibility for regulating boxing to another agency.

Boxing Revenues Can Be Increased (See pages 11 through 14)

The Legislature should consider enhancing boxing revenues to increase the State's general fund. Boxing regulation expenditures exceeded revenues by over \$30,000 in fiscal year 1996. State boxing revenues are derived from license fees, fines, and a 4 percent tax on boxing match gross receipts. However, the 4 percent tax is not applied to televised closed-circuit and pay-per-view boxing events. A recent closed-circuit event could have produced approximately \$21,000 in state tax revenues. The Legislature should also consider amending statutes so that promoters sponsoring commercial televised events are not allowed to subtract boxers' purses from the gross receipts before applying the 4 percent tax. Other states surveyed do not allow promoters to do this. In addition, the Legislature should consider allowing the Boxing Commission to enter into intergovernmental agreements to regulate events on Indian reservations in exchange for service charge fees.

Boxing Commission Can Do More to Protect Boxers (See pages 15 through 17)

The Boxing Commission could do more to protect boxers' safety. By its very nature, boxing is a violent sport. Allowing an injured boxer or one who has suffered cumulative damage to participate in a match threatens the boxer's health and safety. Arizona needs to consider adopting more measures to protect boxers. The Commission should expand pre-fight physicals to include a review of the boxer's medical history. Boxers should also be required to have annual physical and eye examinations as a condition of licensure. At least 6 of the 14 states surveyed require annual physical and eye examinations.

In addition, the Commission needs to conduct more random drug tests, which help deter boxers from taking performance-enhancing drugs. These tests also help identify those boxers whose drug problems could impede their ability to protect themselves in the ring. In the last 3 fiscal years, however, the Commission has tested boxing contestants in only 6 of 69 events. Other

states such as Michigan test 4 boxing contestants per event, and New York tests all boxing contestants at each event.

The Boxing Commission also needs to formalize its HIV testing requirements. Although the Commission has required boxers to submit to annual HIV testing for the last two-and-a-half years, it has never formalized this requirement in administrative rule or statute.

The State Needs to Address Problems with Nontraditional Boxing Contests (See pages 19 through 20)

The Legislature needs to address regulatory questions for nontraditional boxing contests. A "toughman" contest involves a group of boxers who fight in a series of matches until one is proclaimed the winner. "Toughman" participants are generally not trained fighters. The Commission has provided some oversight over these contests held in Arizona. However, providing only limited oversight may increase the State's liability at these events if a contestant is severely injured or killed. For example, in Louisiana, which regulates "toughman" contests, the state was held liable for approximately \$270,000 when a contestant died.

The Legislature should also consider banning more extreme forms of nontraditional contests such as "ultimate fighting." "Ultimate fighting" contests involve placing two contestants in a chain link cage. Contestants wear no protective gear and are permitted to punch, head butt, and knee opponents to the throat and kidney until one contestant concedes or is knocked out. Although Arizona has not yet had such an event the Commission may be powerless to stop one. The Michigan Boxing Commission was recently unable to prevent an "ultimate fighting" contest from being held in its state because it lacks statutory authority over such events. According to information provided by the American Medical Association (AMA), states such as Mississippi, Missouri, Oklahoma, and South Carolina have banned these contests and other states are considering legislation to do so.

Sunset Factors (See pages 21 through 24)

This audit report also contains responses to the 12 Sunset Factor questions in accordance with A.R.S. §41-2954. In response to the question addressing the Commission's continuation, we recommend that the Legislature should consider extending it for a period of only three years. Sunset reviews in 1981, 1991, and now in 1996 have identified continuing problems with boxing revenue collection and handling. Even though the Legislature attempted to address these concerns following the 1991 review by giving the Department of Racing responsibility for revenue collection, our current review found that problems still exist. A performance audit and Sunset review in three years could: 1) assess whether the Boxing Commission and Department of Racing have improved revenue collection; and 2) provide other regulatory options if problems continue.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Boxing Commission, pursuant to a May 17, 1995, resolution of the Joint Legislative Audit Committee. This audit also included a review of the Department of Racing's boxing-related responsibilities.¹ The audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

This is the third Sunset review of boxing regulation in Arizona. Our 1981 audit of the Athletic Commission, which was responsible for boxing at that time, found problems with licensing, boxer safety, and collecting monies owed to the State. In the Boxing Commission's 1991 Sunset hearing, the Joint Legislative Budget Committee reported that the State's boxing revenues were not being deposited in a timely manner and recommended transferring some commission duties to the Department of Racing. The Legislature continued the Commission and transferred some revenue collection and accounting responsibilities to the Department of Racing. This audit found that problems continue in accounting for event tickets and collecting state revenues. Moreover, boxing revenues could be increased. In addition, more could be done to enhance boxer safety. Finally, regulations for nontraditional boxing events need consideration.

Commission Responsibilities

A.R.S. §5-227 assigns the Commission responsibility for regulating all professional boxing and kickboxing contests in Arizona. In the last 3 fiscal years, the Commission has overseen between 17 and 27 annual boxing events. Statutes authorize the Commission to regulate professional boxing by overseeing boxing events and annually licensing professional boxers and other boxing participants, such as promoters, managers, judges, referees, and timekeepers. As of May 1996, the Commission currently licenses 94 boxers and 163 other individuals associated with the sport. The Commission may also impose disciplinary actions, such as license revocation or suspension.

Staffing and Budget

The Boxing Commission consists of three members, each appointed by the Governor for a three-year term of office. The Commission appoints an Executive Director to oversee its operations. The Commission also employs a part-time secretary. The Arizona Department of Racing (Department) provides additional financial and accounting support. The Department assists in collecting and depositing boxing revenues from license and gross receipts fee payments.

¹ A performance audit and Sunset review of the Department of Racing's other duties is underway and will be released early next year.

Statutes require that the State receive 4 percent of gross receipts for each boxing event, which is deposited into the general fund. However, the 4 percent tax is not applied to televised closed-circuit and pay-per-view boxing events. For commercial television broadcasts, promoters are allowed to subtract boxers' purses from the gross receipts before applying the 4 percent tax.

Prior to fiscal year 1992-93, the Commission was funded from the Arizona State Boxing Commission Fund, in which revenues generated from boxing regulation were deposited. Because this revenue source did not adequately support commission operations, the Legislature changed the Commission's revenue source to appropriations from the general fund. Boxing regulation revenues collected since fiscal year 1992-93 are now deposited in the general fund. Table 1 shows such general fund deposits and their sources since fiscal year 1992-93.

Table 1

**Boxing Commission
Sources of Boxing Regulation Revenues
and Number of Boxing Events
Years Ended June 30, 1993 through 1996
(Unaudited)**

Source	1993	1994	1995	1996
Tax on gross receipts	\$15,720	\$20,924	\$10,141	\$18,706
License fees	2,796	7,505	3,525	5,975
Fines and forfeitures		100	400	
Other receipts	—	—	25	6,574 ^a
Total	<u>\$18,516</u>	<u>\$28,529</u>	<u>\$14,091</u>	<u>\$31,255</u>
Number of boxing events	20	25	17	27

^a These monies consist of revenues from previous years, but collected in 1996.

Source: The Uniform Statewide Accounting System report, *Revenues and Expenditures by Fund, Program, Organization, and Object*, and other information provided by the Department of Racing.

1981 Report and Follow-up

As part of the current audit, some concerns previously identified in the Auditor General's 1981 performance audit of the Athletic Commission (Report 81-20) were reviewed.

- **Commission not enforcing statutes**—The Athletic Commission did not fulfill its responsibility to ensure that participants in professional boxing comply with statutory requirements. As a result, some unlicensed individuals participated in professional boxing contests and promoters did not comply with statutes requiring them to pay the state tax. In addition, the report encouraged the Legislature to increase the gross receipts tax.

Follow-up—Currently, the Boxing Commission licenses professional boxers and others who participate in professional boxing events. However, promoters are still not complying with statutes that require them to fully and accurately account for ticket sales and pay the state tax. Finally, the gross receipts tax was increased in 1992 from 2 percent to 4 percent (see Finding II, pages 11 through 14).

- **Commission should improve boxer safety**—The report recommended changes to improve boxing regulation and better protect participants from physical harm. Specifically, the audit advised the Commission to expand its pre-fight physicals, require annual medical examinations, and require urine tests to detect drug and alcohol use.

Follow-up—While the Commission requires boxers to submit to more thorough pre-fight physicals, improvements are still needed to better protect boxers. For example, pre-fight physicals should include medical histories, and annual medical and eye examinations should be considered. In addition, random drug testing is still not adequately performed (see Finding III, pages 15 through 17).

Audit Scope and Methodology

Audit work focused on the Boxing Commission's administrative, financial, and safety responsibilities, as well as the Department of Racing's role in boxing's financial aspects. We present findings and recommendations in four areas:

- Boxing revenues owed to the State may not be properly collected,
- State boxing revenues can be increased,
- The Boxing Commission can do more to protect boxers, and
- Regulation of nontraditional boxing contests needs to be addressed.

As part of the Boxing Commission analysis, auditors attended three boxing events and boxer weigh-ins, and interviewed commissioners, the Executive Director and staff, Department of Racing officials, and physicians. The Department of Racing's financial records were also analyzed since it is now statutorily responsible for collecting boxing revenues. In addition, we interviewed state-licensed boxing professionals. Statutes and administrative rules from 14 states actively involved with professional boxing were also obtained and analyzed.¹ These states are the most active in regulating boxing, and accounted for 496 of the 745 professional boxing events held in the U.S. Boxing officials from these states were also interviewed to determine how and to what extent each state agency responsible for boxing manages and controls ticket sale tax revenues. Potential boxing revenue sources were also analyzed from other states, as well as policies and procedures designed to protect boxer health, safety, and welfare.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Arizona State Boxing Commission, the Executive Director and staff, and the Arizona Department of Racing for their cooperation and assistance throughout the audit.

¹ The states contacted were California, Florida, Indiana, Kentucky, Louisiana, Massachusetts, Michigan, Nevada, New Jersey, New Mexico, New York, Pennsylvania, Tennessee, and Texas.

FINDING I

CONTINUING PROBLEMS WITH COLLECTING BOXING REVENUES

Problems continue with collecting boxing revenues owed to the State. The Arizona State Boxing Commission and the Department of Racing have not ensured boxing promoters comply with all boxing statutes and administrative rules dealing with contracts, ticket accountability, and fee payment. The Boxing Commission has sufficient enforcement authority to require compliance with state law. Unless improvements are made in the next three years, the Legislature should consider transferring boxing regulation to another state agency.

Previous Sunset Reviews Found Similar Problems

Historically, problems have existed with the collection of boxing event taxes and license fees. A 1981 Auditor General report concluded that what was then the Athletic Commission failed to enforce statutes requiring all boxing promoters to pay state tax on ticket sale gross receipts. During a 1991 Sunset review, Joint Legislative Budget Committee (JLBC) staff raised similar concerns about the Boxing Commission's failure to collect state boxing revenues in a timely manner. Because of concerns, the Legislature transferred the Commission's tax revenue collection and accountability responsibilities to the Department of Racing; however, the Commission retained its disciplinary authority. Despite this action, the Department and Commission are not adequately communicating to ensure that promoters comply with statutes and administrative rules.

Boxing Revenue Collection Problems Still Occurring

Our review found that neither the Boxing Commission nor the Department of Racing are requiring boxing promoters to comply with all boxing statutes and administrative rules regarding payment of taxes owed to the State. Although mandated, the Department of Racing is not receiving critical information from boxing promoters that is needed to determine the State's portion of boxing match proceeds. This includes copies of television contracts, ticket manifests, and information regarding complimentary tickets. In addition, in many instances the Department of Racing has not met with boxing promoters after a boxing match to account for all ticket sales.

Copies of contracts are not provided— Boxing promoters are not filing copies of all contracts with the Department of Racing prior to the boxing event, as required by rule R4-3-416. In addition to providing information on contestants' fees, contracts stipulate agreements between promoters and the companies that televise events. Television contract revenues are subject to state tax. In fiscal year 1995-96, at least six boxing events were televised; however, only one television contract was filed with the Department of Racing. Although the Department has asked for the Commission's assistance in obtaining television contracts from promoters, and the Commission has requested that promoters submit them, contracts still have not been filed. The Department cannot ensure promoters are paying the appropriate amount of state tax unless it has copies of these contracts.

Ticket manifests are not submitted— Boxing promoters are not providing the Department with a notarized ticket manifest from the ticket printer prior to the event, as required by rule R4-3-417. Ticket manifests verify the total number of tickets to be sold and their price, which is used later to calculate a promoter's taxable revenue. Promoters did not provide notarized ticket manifests to the Department of Racing prior to the 27 boxing events held in fiscal year 1995-96. Although the Department notified promoters that these manifests are required, the promoters still have not provided them. The Department cannot accurately calculate and verify taxable ticket sales totals later submitted by promoters unless it has a documented ticket manifest prior to an event.

Complimentary tickets not accounted for— Although rule R4-3-419 allows promoters to distribute a maximum of 75 complimentary, tax-free tickets per event, the Department does not adequately ensure promoters pay state tax on additional complimentary tickets. For example, although one promoter reportedly issued 230 complimentary tickets for an event, the Department received the promoter's state tax payment lacking documentation as to whether the 155 additional tickets were appropriately taxed.

Meetings to account for ticket sales held infrequently— Although required by administrative rule, the Department and boxing promoters seldom meet to account for ticket sales. Rule R4-3-420 requires promoters and their ticket agents to meet with the Department within three working days of an event to account for all tickets sold. A.R.S. §5-104.02 and rule R4-3-421 give promoters another 7 days to submit state taxes, ticket sale documentation, and total gross receipts for the Department's verification. However, for the 27 boxing events held in fiscal year 1995-96, the Department did not meet with promoters and ticket agents within three days to account for tickets.¹ As a result, there have been large discrepancies between ticket sales reported by the promoter and actual attendance, which means that state tax revenues may be substantially less than what they should be for some events. For example:

¹ According to the Department, promoters claim they are often unable to obtain complete ticket sales information within three working days following an event. The Commission and the Department believe five working days would be more reasonable.

- Following a May 30, 1996, boxing event, the promoter did not meet with the Department and just submitted unverified ticket sale documentation and paid state tax based on 1,224 tickets sold. Department employees and Auditor General staff attending the event, however, estimated that about 2,000 people attended. Department employees have since obtained box office verification that actual ticket sales were 1,788, and the Department is now attempting to collect state tax for the entire number of tickets sold.

Enforcement Authority Sufficient to Ensure Compliance

The Boxing Commission has sufficient authority to enforce its statutes and administrative rules. However, better communication and cooperation between the Boxing Commission and the Department of Racing is needed to ensure that promoters comply with statutes and administrative rules. In addition, requiring promoters to obtain surety or cash bonds would help safeguard the State's revenue if promoters did not comply with statutory requirements.

Statutes sufficient for enforcement— Boxing statutes provide sufficient authority to ensure compliance with statutes and rules. A.R.S. §5-225 provides that no boxing contest shall be conducted, except in accordance with statutes. A.R.S. §5-235 allows the Commission to discipline licensees for violating any provision of the boxing statutes or any rule adopted pursuant to the statutes. Such discipline may include license suspensions or revocations, or civil penalties not to exceed \$1,000. A.R.S. §5-235 further allows an individual commissioner to issue a 10-day emergency license suspension for violations of the boxing statutes and rules, if the commissioner determines the action is necessary to protect "the public welfare and the best interests of boxing." Finally, A.R.S. §5-223 allows the Commission to hold emergency ringside meetings (exempt from open meeting law notification requirements) immediately prior and subsequent to a scheduled event to determine whether there has been a violation of the rules and regulations of the Commission or the statutes. Such broad authority clearly gives the Commission authority to ensure compliance with rules and statutes, and to act swiftly—including halting a scheduled match until a promoter or other licensee complies with requirements.

Better cooperation and communication needed— Because regulatory responsibility is shared, the Boxing Commission, through its enforcement authority, and the Department of Racing, in its boxing receipts verification, need to work together to ensure promoter compliance with statutes and administrative rules. When the Legislature transferred the Commission's responsibilities for collecting boxing revenues to the Department of Racing in 1992, the Commission retained its authority to fine, suspend, and revoke promoter licenses for rules or code of conduct violations. However, neither the Commission nor the Department have effectively administered their shared responsibilities. For example, although the Department has sent the Commission copies of correspondence it has repeatedly sent to promoters who are not fully complying with boxing statutes and administrative rules, the Department has yet to formally ask the Commission to discipline promoters. In addition,

the Commission has not initiated any actions to address possible problems with these promoters, because they do not consider copies of correspondence a sufficient basis for initiating formal disciplinary action against a licensee.

Annual surety or cash bonds needed—To help ensure that state taxes are fully and accurately paid, and enhance compliance with boxing statutes and administrative rules, the Legislature should consider requiring promoters to obtain bonds (cash or surety) as a condition of annual licensure. Cash or surety bonds help guarantee that promoters account for all taxable boxing event receipts and fulfill all contract obligations for individual boxing matches. Currently, statutes allow the Department to require boxing promoters to provide a bond prior to each boxing event. However, this practice has been ineffective. For example, the Department would not accept a promoter's \$2,500 cash bond because Department officials were uncomfortable holding such a large amount of cash. The bond was accepted by a commission official, but returned to the promoter by the official before a complete accounting of ticket sales was performed by the Department. If the statutes required a bond as a condition of licensure all promoters would have bonds constantly in effect, and the Department would not have to require promoters to obtain one for each event. Ten of the 14 states contacted require promoters to post a bond as a condition for licensure.

Transfer Regulatory Authority If Improvements Do Not Occur

The continuing nature of the problems with collecting boxing revenues by the Department of Racing, in spite of the adequate enforcement authority vested in the Boxing Commission, appears largely attributable to poor communication between the two agencies. We recommend extending the Commission for three years to allow management in both agencies to address the problems. If in three years another Sunset review finds that management for the Commission and the Department have not improved their communication to correct these problems, then the Legislature should consider transferring the authority to regulate boxing to another agency.

Recommendations

1. To ensure the problems with collecting boxing revenues are corrected, the Legislature should consider continuing the Commission for only three years. If, in three years, another Sunset review finds the problems have still not been corrected, the Legislature should consider transferring the responsibility for regulating boxing to another agency.
2. The Legislature should consider revising existing boxing statutes to require annual cash or surety bonds as a condition of promoter licensure.
3. The Department of Racing should formally request that the Boxing Commission take enforcement action when promoters or other licensees do not comply with boxing revenue statutes and administrative rules.
4. The Boxing Commission should enforce boxing statutes and administrative rules and should not allow contests to occur if all statutory and rule requirements have not been met.

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FINDING II

BOXING REVENUES CAN BE INCREASED

The Legislature should consider revising statutes to increase boxing revenues. Currently, state tax payment and license fee revenues do not cover the cost of regulating boxing. Increasing boxing revenues would add monies to the general fund and require those involved with boxing to pay more of its regulation costs. To increase revenues, the Legislature should consider taxing closed-circuit and pay-per-view boxing event revenues, and eliminate the practice of deducting contestants' purses from commercial television taxable gross receipts.

Boxing Could Pay More Regulation Costs

The costs to annually regulate boxing exceed its revenues. As shown in Table 2 (see page 12), Boxing Commission expenditures exceeded revenues collected from license fees, fines, and the 4 percent state tax on gross receipts for the last four fiscal years. In fact, total commission expenditures have exceeded revenues by approximately \$138,500 during these four years. The Department of Racing also spends over \$18,000 annually to pay for its boxing regulation duties.

Boxing Revenues Can Be Increased

The Legislature could increase boxing regulation revenues by including ticket sales from closed-circuit broadcasts and promoters' receipts from pay-per-view cable telecasts as taxable revenues.¹ Eliminating the current practice of deducting contestants' purses from commercial television taxable gross receipts would also increase revenues. Finally, the Commission can neither regulate nor collect revenues from events held on Indian reservations. The Commission could potentially address this situation if it had statutory authority to enter into intergovernmental agreements to regulate boxing on Indian reservations in exchange for service charge fees.

¹ "Closed circuit" means a live broadcast to an exhibition hall where tickets are sold, and the term "pay per view" means a live telecast into private homes.

Table 2
Boxing Commission
Boxing Regulation Revenues and Expenditures
Years Ended June 30, 1993 through 1996
(Unaudited)

	1993	1994	1995	1996	Total
Revenues	\$18,516	\$28,529	\$14,091	\$31,255	\$92,391
Expenditures	<u>49,160</u>	<u>57,882</u>	<u>61,648</u>	<u>62,067</u>	<u>230,757</u>
Excess of expenditures over revenues	<u>\$30,644</u>	<u>\$29,353</u>	<u>\$47,557</u>	<u>\$30,812</u>	<u>\$138,366</u>

Source: The Uniform Statewide Accounting System report, *Revenues and Expenditures by Fund, Program, Organization, and Object*.

Closed-circuit televised events should be taxed—Additional state revenues could be collected by including ticket sales for closed-circuit boxing broadcasts as taxable receipts. Currently, closed-circuit event ticket sales are not subject to the 4 percent gross receipts tax. However, closed-circuit events can involve significant potential tax revenues. For example, a June 1996 championship boxing match was shown at three locations in Phoenix. Commission officials estimate over 15,000 people bought tickets priced from \$35 to \$40 each. If the 4 percent tax had been levied on these sales, an additional \$21,000 to \$24,000 in state revenues could have been realized.

Twelve of the 14 states reviewed currently tax ticket sales for closed-circuit boxing events. A New Mexico official reported that the June 1996 championship event generated approximately \$11,000 in closed-circuit tax revenues. Florida's closed-circuit tax revenues from boxing events amounted to \$30,000 in fiscal year 1995-96.

Pay-per-view gross proceeds should be taxed—The Legislature should also consider taxing the revenues promoters receive from sponsoring pay-per-view boxing events on cable television. Currently, promoters of pay-per-view events telecast in the State do not pay the

appropriate revenue source because it involves those people who directly profit from the sport of boxing.

Other states generate significant revenue by taxing revenues promoters receive from sponsoring pay-per-view boxing events. Florida reported collecting approximately \$1.8 million in tax revenue from 76 pay-per-view boxing events since it began taxing these revenues. In addition, a New Mexico boxing official estimates that the tax on pay-per-view boxing events, along with closed-circuit, accounts for \$80,000 to \$100,000 annually, or 80 percent of the State's annual boxing revenues.

Deductions to television gross receipts should be eliminated—The state law allowing promoters to deduct contestants' purses from commercial television taxable gross receipts should be revised. Currently, boxing promoters are required to pay a 4 percent tax on the gross receipts they receive from ticket sales and any commercial television broadcasting contracts. However, before the tax is applied to these commercial television revenues, state law allows promoters to deduct the amount they pay contestants. If the amount of the purses exceeds commercial television revenues, then promoters do not pay state tax on these revenues.

It is difficult to determine the potential for increased tax revenues if adjustments were not allowed since promoters do not currently submit television contracts to the Department. None of the other 12 states that currently tax promoters' broadcasting revenues allow promoters to deduct contestants' purses from taxable gross receipts. For example, California reported tax revenues of \$89,427 from television broadcasts in 1995.

Intergovernmental agreements could help provide revenues—The Legislature should consider giving the Commission statutory authority to enter into intergovernmental agreements with Indian tribes. Many boxing experts expect the rise in Indian gaming to be accompanied by an increased number of boxing events held on Indian reservations. A recent court case in California found that the State of California could neither regulate nor collect revenues from such events. With the authority to enter into intergovernmental agreements, the Commission could agree to regulate boxing events held on Indian reservations in exchange for service charge fees. Without an intergovernmental agreement, there is nothing prohibiting Indian tribes from holding unregulated boxing events, nor is there a means for the State to obtain any revenues from such events.

Recommendations

1. The Legislature should consider amending A.R.S. §5-104.02 to:
 - a) subject closed-circuit televised boxing event ticket sales and promoters' gross revenues from pay-per-view cable telecasts to the 4 percent state tax, and
 - b) prevent promoters from deducting contestants' purses from taxable commercial television revenues.
2. The Legislature should consider giving specific statutory authority to the Boxing Commission to enter into intergovernmental agreements to regulate boxing on Indian reservations.

FINDING III

BOXING COMMISSION CAN DO MORE TO PROTECT BOXERS

The Boxing Commission can do more to protect boxing contestants. First, it can require more thorough physical and eye examinations. Second, the Commission should conduct more random drug tests. Third, the Commission needs to formalize its HIV testing procedure.

Boxers' Physical Examinations Can Be Improved

The Boxing Commission needs to improve boxers' medical exams to better ensure their safety. The Commission should amend its rules to require more thorough pre-fight exams and annual physicals.

Pre-fight medical examinations are inadequate—The Commission needs to expand pre-fight physicals. Administrative rule R4-3-203(A) currently requires boxers to have two medical exams before each fight. The contestant must satisfy the examining physician that he is in good physical condition and able to compete. The first exam, conducted at the weigh-in one day prior to the boxing event, checks the contestant's blood pressure, heart, hearing, vision, abdomen, reflexes, nervous system, and hands; and checks for hernias, drugs, and alcohol. In most cases, the doctors ask no questions regarding a boxer's medical history, including prior injuries. The contestant undergoes a second physical one hour before the boxing event, which is not documented and, according to one doctor, often consists only of a ringside physician asking the boxer if everything is "O.K."

To protect against potential injuries, officials in other states, such as Florida and Texas, ask questions before fights to document a boxer's medical history. Medical histories are important because they help identify conditions that may predispose an individual to injury. For example, other states require questions regarding cardiac surgery, asthma, head injuries, joint sprains, prescribed medication, allergic reactions, and accidents or injuries when the boxer trained for a match.

Annual physicals and eye exams can better protect boxers—Arizona should require boxing contestants to submit to annual medical exams that are needed to more fully assess whether boxers are suffering from brain damage and other serious conditions typical of the sport. Annual physicals may include an applicant's complete medical history, skull x-ray, abdominal x-ray, and neurological tests. The boxer typically pays the cost of the annual examination, and the

Commission is hesitant to request legislation requiring these physicals because it does not want to impose financial hardships on boxers. According to the Commission, these exams can cost between \$150 and \$200. However, despite the cost, other states, such as California, New Jersey, Nevada, and Texas, require annual medical examinations to help protect boxers. In fact, New Jersey reported that the importance of annual physicals outweighs any cost considerations. However, to help address costs, California and New Jersey recognize physicals performed in other states.

At least 6 of the 14 states surveyed also include eye examinations as part of the annual physical. The Boxing Commission currently does not require an eye exam other than the cursory check performed at the pre-fight physical. According to the American Academy of Ophthalmology, serious eye injuries, such as retinal detachments, have long been known to occur in boxing. Many of these eye injuries, when detected at an early stage, can be effectively treated before the onset of visual loss.

Drug Testing Needs Improvement

The Commission could better enforce its random drug testing program. Compared to other states, the Boxing Commission does not conduct a sufficient number of random drug tests. Despite having administrative authority to conduct these tests, the Commission has tested boxing contestants for drug use in only 6 of 69 events held during the last 3 fiscal years. In comparison, other states contacted conduct more extensive sampling. For example, Michigan officials test 4 boxing contestants per event and have found about 1 in 8 test positive for drug use. Nevada tests a minimum of one boxer per boxing event. New York tests all boxing contestants at every event.

Random drug testing achieves two important goals. These tests can help identify and deter boxers from taking performance-enhancing drugs, thus helping to ensure a fair fight occurs. In addition, these tests enhance boxer safety. Drug-impaired boxers may have more difficulty protecting themselves in the ring.

HIV Testing Should Be Codified

For the last two-and-a-half years, the Commission has required boxers to submit to annual HIV testing without adopting this practice as an administrative rule. As a result, requiring an HIV test without proper authority may be inappropriate. Unlike Arizona, states such as Nevada, New Jersey, and Indiana have official HIV policies and procedures. For example, Nevada's written HIV policy requires every boxer or kickboxer to present a negative HIV test when applying for a boxing license. In Indiana, "each boxer . . . must present a certified laboratory

test result performed not over one year from the date of their bout reflecting that the boxer is negative for the presence of the HIV virus.”

Recommendations

1. The Legislature should consider amending A.R.S. §5-233 to require that boxers have an annual physical, including an eye exam.
2. The Boxing Commission should revise pre-fight examinations to include medical history questions.
3. The Boxing Commission should implement a more active random drug testing program.
4. The Boxing Commission should adopt administrative rules for conducting HIV testing.

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FINDING IV

THE STATE NEEDS TO ADDRESS REGULATORY QUESTIONS FOR NONTRADITIONAL BOXING CONTESTS

The State needs to address regulatory questions associated with nontraditional boxing contests. Specifically, the Commission should regulate "toughman" contests as professional boxing matches. Furthermore, the Legislature needs to consider banning "ultimate fighting" contests.

"Toughman" and "ultimate fighting" contests are two forms of nontraditional boxing events. "Toughman" contests consist of three one-minute rounds between two fighters wearing boxing gloves and some protective gear. After a series of elimination rounds, a champion is determined. "Toughman" participants are generally not trained fighters.

A more extreme form of nontraditional boxing is "ultimate fighting." "Ultimate fighting" contests are described by the American Medical Association as "barbaric forms of human cockfighting." These contests are essentially nonofficial events in which two contestants enter a chain link cage wearing no protective gear and punch, head butt, and elbow and knee opponents to the throat and kidney until one contestant concedes or is knocked out.

Increase Oversight of Nontraditional Boxing Contests

The Commission should provide the same oversight of nontraditional boxing contests as it does for traditional boxing. Currently, the Commission provides some regulation of "toughman" events because they appear to meet the definition of boxing in that prize money is awarded, the State receives 4 percent tax on ticket sales, and the events are not considered amateur events, such as those sponsored by schools, government units (such as the military), or charities. However, the Commission does not currently provide the same oversight for these events as for traditional boxing. For example, a medical exam at one of these contests checked the contestant's blood pressure and pulse, but did not check the contestant's hearing, vision, abdomen, reflexes, nervous system, and hands, as is done for professional boxers. Providing this limited oversight may increase the State's liability at these events if a contestant is severely injured or killed. For example:

- In 1994, a "toughman" contestant in Louisiana died of heart problems following a contest. The contestant's family sued, and the state contributed \$270,000 toward a settlement.

Although only five contests have been held in Arizona during the last three fiscal years, some contestants have sustained serious injury. According to a physician who has attended these contests, injuries such as serious concussions have occurred. This physician also commented that it is possible for contestants to die during these contests because they are inexperienced and not physically fit.

Need to Ban More Extreme Contests

The Legislature should consider banning more extreme contests. Currently, the Commission has no specific statutory or administrative authority for regulating these events. These contests are relatively new and none have, as yet, been proposed in Arizona. However, given the current statutes, if a contest is proposed the Commission may be powerless to stop it. Promoters in Michigan successfully obtained a court order allowing such a contest after the boxing commission in Michigan attempted to prevent the event.

Other states and national organizations believe contests such as "ultimate fighting" should be banned. According to information provided by the American Medical Association, states such as Mississippi, Missouri, Oklahoma, and South Carolina have banned these contests and other states are considering legislation to do so. The American Medical Association is strongly opposed to these contests due to the contestants' "violent gladiator-type behavior," and encourages states to ban these events. In addition, the Association of Boxing Commissions encourages states to not permit such contests.

Recommendations

1. The Legislature should consider banning the more extreme nontraditional contests such as "ultimate fighting."
2. The Boxing Commission should provide the same oversight for contests as it does for professional boxing.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona State Boxing Commission should be continued or terminated.

1. The objective and purpose in establishing the Commission.

Originally, boxing was overseen by the Athletic Commission, which was created in 1958 to regulate professional boxing, sparring, and wrestling matches and exhibitions in Arizona.

In 1982 the Legislature deregulated wrestling and created the Boxing Commission to assume Athletic Commission responsibilities. A.R.S. §5-221 defines the purpose of the Arizona State Boxing Commission, which “. . . is to provide the greatest possible protection, both physical and financial, to participants and persons interested in the sport of boxing.”

To carry out this responsibility, a three-member Commission is statutorily empowered to license promoters, matchmakers, managers, judges, referees, announcers, ringside physicians, timekeepers, boxers, boxers’ trainers, and boxers’ seconds (a boxer’s official attendant). In addition, the Commission may revoke a license, suspend a license, or impose a civil penalty on a licensee who violates the Commission’s rules or regulations. The Commission employs an executive director and part-time secretary to carry out these duties.

In 1992, the Department of Racing was given statutory responsibility for administering and collecting the 4 percent state tax on boxing match gross receipts.

2. The effectiveness with which the Commission has met its objectives and purpose and the efficiency with which it has operated.

Both the Boxing Commission and the Department of Racing can improve their effectiveness and efficiency in fulfilling their statutory duties. The Department of Racing needs to ensure the State receives all tax revenue for which it is entitled (see Finding I, pages 5 through 9). The Boxing Commission can better ensure boxers’ health, safety, and welfare by improving boxer physicals, enforcing a drug testing program, and codifying its HIV testing practice (see Finding III, pages 15 through 17).

3. The extent to which the Commission has operated within the public interest.

The Commission's regulatory function serves the public interest by ensuring boxing matches and medical exams are properly conducted, and other licensed individuals are qualified. The Department of Racing is required to collect the State's portion of boxing gross receipts.

However, the audit found the State may not be receiving the proper amount of boxing revenues because neither the Department of Racing nor the Boxing Commission have required promoters to comply with statutes and administrative rules used to fully and accurately account for state tax revenue (see Finding I, pages 5 through 9). In addition, the Boxing Commission has not adequately enforced a drug testing program, and has required HIV testing even though it does not have authority to do so (see Finding III, pages 15 through 17). Further, the Boxing Commission may be placing the State at financial risk by providing only limited oversight of nontraditional boxing contests (see Finding IV, pages 19 through 20).

4. The extent to which rules adopted by the Commission are consistent with the legislative mandate.

According to the Agency's Attorney General representative, all required rules have been promulgated.

5. The extent to which the Commission has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Commission has been in violation of statutes regarding public meetings. While meeting notices are posted at the meeting site, the Commission has failed to notify the Secretary of State of meetings as required by statute.

6. The extent to which the Commission has been able to investigate and resolve complaints that are within its jurisdiction.

The Commission does not maintain complaint files, nor does it have any established or documentable process to resolve complaints. According to the Director, complaints are resolved over the phone or at the boxing event itself and nothing documenting the complaint is available.

The Commission's informal handling of complaints is improper. The Commission needs to put forth in rule a complaint-handling process before complaints can legally be addressed.

7. **The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.**

Both criminal and civil violations can be prosecuted by the State Attorney General or County Attorney on behalf of the State.

8. **The extent to which the Commission has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.**

Neither the Commission nor the Department have sought any statutory changes in regard to boxing statutes.

9. **The extent to which changes are necessary in the laws of the Commission to adequately comply with the factors listed in this subsection.**

The Legislature should consider the following statutory changes to improve boxing regulation.

- Subject closed-circuit boxing event ticket sales to the 4 percent state tax and implement a 4 percent state tax to the gross proceeds boxing promoters receive for pay-per-view cable subscriptions.
- Mandate that promoters file an annual cash or surety bond as a condition of licensure;
- Repeal the statutory provision that allows promoters to subtract boxer purse amounts from taxable commercial television revenues before applying the 4 percent state tax.
- Mandate that boxers have annual physicals, including eye examinations; and
- Ban the more extreme forms of nontraditional boxing contests such as "ultimate fighting."

10. **The extent to which the termination of the Commission would significantly harm the public health, safety or welfare.**

Terminating the Commission would primarily impact the health, safety, and welfare of boxers rather than the public. Specifically, boxing regulation helps ensure boxers' physical safety. Boxing regulation also helps ensure boxers and others receive monies

earned from fighting. Forty-five states, Puerto Rico, and Washington, D.C. regulate boxing.

However, at this time, the Legislature should consider extending the Boxing Commission and the Department of Racing boxing duties for a period of only three years. Sunset reviews in 1981, 1991, and now in 1996 have identified continuing problems with boxing revenue collection and handling. Even though the Legislature attempted to address these concerns following the 1991 review by transferring the responsibility for revenue collection to the Department of Racing, this review finds that problems still exist. Continuing the Commission for three years will allow time for corrective action, and automatically provide for another Sunset review to measure any improvement. If sufficient improvement has not occurred within three years, the Sunset review can assess and report other options for regulating boxing.

- 11. The extent to which the level of regulation exercised by the Commission is appropriate and whether less or more stringent levels of regulation would be appropriate.**

To further decrease the State's liability, increased oversight of nontraditional boxing contests is needed (see Finding IV, pages 19 through 20).

- 12. The extent to which the Commission has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.**

The Boxing Commission rarely uses private contractors to carry out its duties. The Commission has contracted for court reporters during administrative hearings.

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Agencies' Responses

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Arizona State Boxing Commission

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ARIZONA STATE BOXING COMMISSION

CHAIRMAN
STEPHEN L. FRIEDMAN

COMMISSIONERS
SALLY GARZA FERNANDEZ
MICHAEL PRESTON GREEN

EXECUTIVE DIRECTOR
JOHN H. MONTANO

GOVERNOR
FIFE SYMINGTON

October 3, 1996

Mr. Douglas R. Norton, CPA
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Mr. Norton:

A revised draft response to the performance audit performed by your staff is enclosed herein. This draft response reflects the changes discussed in the September 19, 1996, meeting with your staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "John H. Montano".

John H. Montano
Executive Director

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DRAFT RESPONSE

FINDING 1

CONTINUING PROBLEMS WITH COLLECTING BOXING REVENUES

The Commission requests that the sentence suggesting the legislature transfer boxing regulations to another agency read as follows:

Unless improvements are made in the next three years, the Legislature should consider transferring revenue collecting duties to another agency, or provide adequate funding to the Boxing Commission to assume the duties within the agency.

Previous Sunset Reviews Found Similar Problems

The Commission concurs with this finding, however the Commission and the Department of Racing have been working closer together to ensure the proper taxes are being collected. The Commission and the Department are working towards better communication.

Boxing Revenue Collection Problems Still Occurring

In 1992, the Legislature transferred revenue collecting authority to the Racing Department. The Boxing Commission will assist the Racing Department in the collection of revenues, in any capacity within its authority, upon request.

Copies of contracts not provided- The Commission concurs with this finding. The Commission will request that all contracts be delivered to the Commission and the Racing Department, no later than the weight-in, this includes all TV contracts also.

Ticket manifests are not submitted- The Commission can attest to the efforts the Racing Department has put forth in Trying to obtain these manifests, the Commission and the Racing Department will hold a series of meetings with promoters to clarify and to jointly enforce these rules.

Complimentary tickets not accounted for- This finding may be for the Racing Department to address, however, the Racing Department has made it very clear to all promoters that any complimentary tickets in excess of seventy-five will be taxed. The Commission concurs that complimentary tickets must be controlled and a suitable form adopted to ensure compliance. Let us not assume that the Racing Department condoned non payment of taxes, the Commission is positive that if any suspicion of non payment was present, the Department would have addressed the issue.

Meetings to account for ticket sales held infrequently- The Commission concurs with this finding. The Racing Department and the Boxing Commission met regarding the example indicated by the Auditor General's office and identified the following:

The promoter in question received a ticket manifest from the venue the day after the event and said manifest was amended by the venue days later reflecting a greater number of tickets than the original. The latter manifest was obtained by the Racing Department showing a discrepancy in tickets sold between the first and second manifest. The promoter agreed to pay the difference in tickets under protest, maintaining that he did not receive the monies reflected in the manifest.

**Enforcement Authority Sufficient
to Ensure Compliance**

The Commission concurs with this finding, and will require promoters to post annual bonds in the amount of \$5,000.00.

Statutes sufficient for authority- The Commission exercised this authority on June 27, 1996, when the promoter did not deposit the bond required by the Racing Department. The Chairman held the event until the promoter and a representative from the Racing Department reached an accord.

Better cooperation and communication needed- The Commission has not taken an initiative in sanctioning noncomplying promoters in the past, however, the Commission intends to ensure compliance with all its Rules and Regulations. The Commission will act on any formal request from the Racing Department to bring any promoter before the Commission to insure compliance.

Annual Surety or cash bonds needed- The Commission concurs with this finding and will require all promoters to post a minimum annual performance bond of \$5,000.00 before licensure.

**Transfer Regulatory Authority
If Improvements do not occur**

The Racing Department is in charge of revenue collection, if in three years the revenue collecting has not improved, the Commission requests that revenue collections be transferred to another agency, or provide adequate staffing to the Commission and leave the revenue collections within the agency.

RECOMMENDATIONS-FINDING I

1. To ensure the problems with collecting boxing revenues are corrected, the legislature should consider continuing the Commission for only three years if, in three years, another Sunset review finds the problems have still not been corrected, the legislature should consider transferring the responsibility for regulation boxing to another agency.

The Commission does not agree with this recommendation. The Commission is in charge of Regulation of Rules and Statutes, currently the Racing Department is in charge of revenue collection. If at the end of three years the revenue collections have not improved, the legislature should consider transferring revenue collections to another agency, or fund the Commission to administer revenue collections within the agency.

2. The Legislature should consider revising existing boxing statutes to require annual cash or surety bonds as a condition of promoter licensure.

The Commission concurs with this finding.

3. The Department of Racing should formally request that the Boxing Commission take enforcement action when promoters or other licensees do not comply with boxing revenue statutes and administrative rules.

The Commission concurs with this finding.

4. The Boxing Commission should enforce boxing statutes and administrative rules and should not allow contests to occur if all statutory and rule requirements have been met.

The Commission concurs with this finding, and has required all statutes to be met, however, the Commission must be aware of noncompliance before it can act on a given license.

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FINDING II

BOXING REVENUES CAN BE INCREASED

The Commission agrees that more revenue enhancing projects should be explored, including, but not limited to, taxing closed-circuit and pay-per-view. The Commission also agrees that we should do away with the adjusted gross tax.

Boxing Could Pay More Regulation Costs

The Commission agrees with the figures supplied by the auditors.

Boxing Revenues Can Be Increased

The Commission concurs with this proposal but, the Commission recommends that we tax only incoming shows via pay-per-view and closed-circuit. By taxing only the incoming shows we will give the promoters an incentive to bring their shows to Arizona. The Commission recommends that the gross tax be eliminated completely, as it applies to pay-per-view and closed circuit telecasts originating in the state. The Commission requests express authority to enter into an Inter-Governmental agreement to impose service charge fees.

The Commission requests that the gross tax on all non televised events originating in the state be limited to ticket sales.

Closed-circuit televised events should be taxed- The Commission concurs with this finding. (on incoming shows only)

Pay-per-view gross proceeds should be taxed- The Commission concurs with this finding. (on incoming shows only)

Deductions to televised gross receipts should be eliminated- The Commission Feels that the adjusted gross tax should be eliminated, and that the broadcasting origination in Arizona should not be taxed, this give outside promoters an incentive to bring big events to the state.

Intergovernmental agreements could help provide revenues- The Commission concurs with this proposal.

RECOMMENDATIONS-FINDING II

1. The Legislature should consider amending A.R.S. §5-104.02 to:
 - a) subject closed-circuit televised boxing event ticket sales and promoters' gross revenues from pay-per-view cable telecasts to the 4 percent state tax, and
 - 1) **The legislature should consider taxing incoming telecasts only, giving outside promoters an incentive to bring big shows to the state.**
 - b) prevent promoters from deducting contestant's purses from taxable commercial television revenues.

The Commission agrees with this recommendation.

FINDING III

BOXING COMMISSION CAN DO MORE TO PROTECT BOXERS

The Commission has an exemplary record in safety and will adopt new safety measures, including more frequent drug tests, annual physicals, eye examinations and formalize an HIV testing procedure.

Boxers' Physical Examinations Can Be Improved

The Commission agrees that the rules can be amended to give boxers a more extensive examination.

Pre-flight medical examinations are inadequate- The Commission agrees that more questions should be asked regarding the boxer's medical history and has already implemented a new form.

Annual physicals and eye exams can better protect boxers- The Commission agrees that the safety of the boxer is of the utmost importance and will implement annual physicals. The Commission will also recognize physicals from another state.

The Commission presently is in the majority of not requiring eye examinations, however, the Commission does not take the examination before a fight lightly. The Commission rejected an opponent for Michael Carbajal the day before a televised fight because he could not satisfy the physicians eye examination. The Commission will include an eye examination with the annual physical.

Drug Testing Needs Improvement

The Commission concurs with this finding. The Commission has contracted an outside agency to perform the tests at a nominal cost.

HIV Testing Should Be Codified

The Commission concurs with this finding.

RECOMMENDATIONS-FINDING III

1. The Commission should consider amending A.R.S. §5-233 to require that boxers have an annual physical, including an eye exam.

The Commission concurs with this finding.

2. The Boxing Commission should revise pre-fight examinations to include medical history questions.

The Commission concurs and has already revised the pre-fight examination form.

3. The Boxing Commission should implement a more active random drug testing program.

The Commission concurs and has already implemented random drug testing.

4. The Boxing Commission should adopt administrative rules for conducting HIV testing.

The Commission concurs with this finding.

FINDING IV

THE STATE NEEDS TO ADDRESS REGULATORY QUESTIONS FOR NONTRADITIONAL BOXING CONTESTS

The Commission agrees that Toughman contests should be regulated as professional boxing. The Commission is of the opinion that Ultimate Fighting does fall under its jurisdiction, and will regulate it as professional boxing, eliminating most of the dangerous holds and strikes presently allowed in this form of fighting.

Increase Oversight of Nontraditional Boxing Contests

The Commission presently regulates Toughman contests like professional boxing.

The Commission is not aware of any serious injuries suffered by any contestant in a Toughman contest, if this has occurred then the attending physician was negligent in not reporting it to the Commission.

Need to Ban More Extreme Contests

The Commission agrees that violent nontraditional contests should not be allowed in the state, the Commission further believes that it does have jurisdiction over these contests but, clarifying the Statute would be in the best interest of the state.

RECOMMENDATIONS-FINDING IV

1. The Legislature should consider banning the more extreme nontraditional contests such as "ultimate fighting".

The Commission is in agreement with not allowing Ultimate fighting in the state but, would rather retain jurisdiction over the sport to take advantage of the incoming pay-per-view revenue it would generate for the state.

2. The Boxing Commission should provide the same oversight for toughman contests as it does for professional boxing

The Commission agrees that it should provide the same oversight for Toughman contests as it does for boxing, to our knowledge we do.

Arizona Department of Racing

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ARIZONA DEPARTMENT OF RACING

FIFE SYMINGTON
GOVERNOR



JIM HIGGINBOTTOM
DIRECTOR

WADE TURNER
DEPUTY DIRECTOR

October 3, 1996

Douglas R. Norton, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018-7243

RE: Boxing Commission Draft Report

Dear Auditor General Norton:

The Department of Racing respectfully declines the opportunity to comment on any portion of the revised preliminary report draft of the performance audit of the Boxing Commission pertaining to this agency.

We appreciate having had the chance on September 19, 1996 to meet with the audit team, and Deputy Auditor General Debra K. Davenport as well, and express, as best we could, the frustrating circumstances encountered in the collection of boxing taxes. We appreciate also that the revised preliminary report draft seems to reflect that the additional documentation my staff was able to provide was duly considered.

Very truly yours,

A handwritten signature in cursive script that reads "Jim Higginbottom".

Jim Higginbottom
Director

c-Joe Lane
Wade Turner
Steve Lump
Carolyn Evans