

**Michigan Office of Administrative Hearings and Rules**

**Administrative Rules Division (ARD)**

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**REGULATORY IMPACT STATEMENT  
and COST-BENEFIT ANALYSIS (RIS)**

**Agency Information:**

**Department name:**

Licensing and Regulatory Affairs

**Bureau name:**

Corporations, Securities, & Commercial Licensing

**Name of person filling out RIS:**

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**Rule Set Information:**

**ARD assigned rule set number:**

2020-131 LR

**Title of proposed rule set:**

Unarmed Combat

**Comparison of Rule(s) to Federal/State/Association Standard**

**1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.**

The Department of Licensing and Regulatory Affairs (“department”), Unarmed Combat Commission (“Commission”) regulates unarmed combat events, contestants, officials, and promoters. The proposed rules are designed to allow kickboxing and muay thai events under the Michigan Unarmed Combat Regulation Act (“Act”) regulatory structure, improve the reliability and competency of contest officials, and improve the integrity of unarmed combat events in Michigan. The existing rules already adhere to the Professional Boxing Safety Act, Pub. L. 104-272, 110 Stat. 3309-13, and the Muhammad Ali Boxing Reform Act, Pub L. No. 106-210, 114 Stat. 321 (2000), for professional boxing.

Proposed R 339.204a applies to boxing, mixed martial arts, and kickboxing or muay thai events in the state. The Professional Boxing Safety Act, 15 U.S.C. § 6308, prevents conflicts of interest among members and employees of state boxing Commissions with promoters and establishes a “firewall” between promoters and managers of boxing contests. In Michigan, referees, judges, and timekeepers (“contest officials”) require separate licenses under the Act and are not members or employees of the Commission for purposes of 15 U.S.C. § 6308. There is no federal law prohibiting conflicts of interest between contest officials, who are not employees of a boxing commission, and promoters, contestants, seconds, trainers, or managers. Proposed R 339.204a establishes a duty of impartiality for contest officials and limits contest officials’ communications with promoters, contestants, seconds, trainers, or managers strictly to their assigned roles as referees, judges, or timekeepers at an event.

R 339.261(3) establishes a minimum purse for professional boxing, mixed martial arts, and kickboxing or muay thai contests. The Muhammad Ali Boxing Reform Act, 15 U.S.C. § 6307a, requires the Association of Boxing Commissions and Combative Sports (“ABC”) to establish “guidelines for minimum contractual provisions that should be included in bout agreements and boxing contracts.” There is no federal law requiring minimum purse or contract provisions for unarmed combat sports, only guidelines established by the ABC.

There is no federal law, national licensing agency, or accreditation association for mixed martial arts, kickboxing, or muay thai events or contests.

**A. Are these rules required by state law or federal mandate?**

The existing rules adhere to the mandates for boxing commissions established by the federal Professional Boxing Safety Act and the Muhammad Ali Boxing Reform Act. These acts require state boxing commissions to establish safety standards, procedures regarding the suspension of boxers, procedures for drug testing, procedures for disclosing interests, prohibitions against conflicts of interest, and other requirements for the sport of boxing. 15 U.S.C. § 6301 through § 6313. There are no federal mandates applicable to mixed martial arts, kickboxing, or muay thai.

Section 22(2) of the Michigan Unarmed Combat Regulatory Act (“Act”), MCL 338.3622(2), requires the Commission to review the ABC model rules before promulgating rules for the administration of the Act. Proposed R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b derive from the ABC unified rules for kickboxing and muay thai.

Section 22(4) of the Act, MCL 338.3622(4), requires the Commission to promulgate rules that establish the number and qualifications of ring officials; powers, duties, and compensation of ring officials; qualifications, activities, and responsibilities of licensees; license fees not otherwise provided under this Act; any necessary standards designed to accommodate federally imposed mandates that do not directly conflict with the Act; a list of enhancers and prohibited substances, the presence of which is grounds for suspension or revocation of the license or other sanctions; and standards to protect the health and safety of contestants participating in contests or events. Proposed R 339.104, R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b are designed to fulfill the requirements under section 22(4) of the Act that allow for the administration of kickboxing and muay thai contests or events in the State. Furthermore, proposed R 339.204a establishes a duty of impartiality on contest officials and limits contest officials’ communications with promoters, contestants, seconds, trainers, and managers.

Section 54a(2)(e) of the Act, MCL 338.3654a(2)(e), mandates that the Department set weight classifications for contestants by rule. Proposed R 339.201 adds “atomweight” as a weight classification for mixed martial arts contests.

**B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.**

Neither the existing rules nor the proposed rules exceed a federal standard.

**2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.**

Thirty-eight states regulate some form of kickboxing or muay thai as an unarmed combat sport. Among the 38 states, 24 states regulate both amateur and professional kickboxing or muay thai. The proposed rules will allow both amateur and professional mixed martial arts events to be conducted in Michigan. The Commission looked at states within the Great Lakes Region and Pennsylvania, Ohio, and Wisconsin that already regulate kickboxing and or muay thai. See:

State of Pennsylvania: 58 Pa. Code § 25.1 through 58 Pa. Code § 27.3.

State of Ohio: OAC 3773-1-01 through OAC 3773-9-06.

State of Wisconsin: Wis. Admin. Code § SPS 192.56 through SPS 192.92.

Each state sets its safety standards, weight classes, and standards of conduct during kickboxing or muay thai boxing contests. Some of the states do not have established standards of conduct during a kickboxing or muay thai contest but allow for kickboxing competition to occur in the state. Other states adopt or mirror the ABC's model rules.

Also, each state establishes licensing requirements for contestants, officials, and promoters. Each state has minimal conflicts of interest restrictions for contest officials, because each state's athletic commission directly appoints contest officials.

When developing R 339.261(3), the Commission looked at several different states that require a minimum purse by contract that promoters are required to pay to contestants in professional unarmed combat contests. The Commission looked at the minimum purse requirements in states with a small market for unarmed combat events and in states with a large market for unarmed combat events. Alabama, Georgia, and Washington D.C. have a small market for unarmed combat events. California and Pennsylvania are states with a large market for unarmed combat events. Alabama and California require a minimum purse of \$100 per contracted round to be paid to professional contestants. Washington D.C. and Georgia require a minimum purse of \$50 per contracted round, and Pennsylvania has a flat minimum of \$50 per contest. R 339.261(3) would set the minimum purse at \$100 per contracted round.

**A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.**

If the proposed kickboxing and muay thai rules exceed the standards in other jurisdictions' rules, it is because those jurisdictions have not adopted the ABC model rules. The ABC model rules provide consistency and uniformity to health and safety standards applicable to unarmed combat competition throughout the country. There are no known costs associated with adopting the ABC model rules, and the Commission is unaware of how many states have adopted the model rules for kickboxing and muay thai.

The minimum purse requirement in R 339.261(3) exceeds Washington D.C., Georgia, and Pennsylvania's minimum purse requirement. The minimum \$100 purse per contracted round is consistent with Alabama and California's minimum purse requirement. One of the Commission's professional members, who is a former championship boxer, stated that \$100 per contracted round is consistent with current industry practice. Additionally, the Commission has seen contracts for professional contests in Michigan set at \$1 where promoters also require contestants to sell tickets in a separate contract or agreement that is not disclosed to the department, contrary to the requirements of section 33 (9) of the Act, MCL 338.3633(9). Selling tickets as a factor in determining the amount of the purse a contestant receives is prohibited by section 54a(2)(bb) of the Act, MCL 338.3654a(2)(bb). Setting a minimum purse for professional contests helps discourage these undisclosed, illegal agreements. While this rule may increase costs for a promoter, the minimum \$100 purse per contracted round is customary for the industry and would marginally impact a promoter's ability to promote unarmed combat contests.

**3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.**

The Commission is unaware of other laws, rules, or legal requirements that duplicate or conflict with the proposed rules.

**A. Explain how the rules have been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.**

The proposed rules do not duplicate, overlap, or conflict with other federal, state, or local laws, rules, or other legal requirements.

**4. If MCL 24.232(8) applies and the proposed rules are more stringent than the applicable federally mandated standard, provide a statement of specific facts that establish the clear and convincing need to adopt the more stringent rules.**

Section 32(8) of the Administrative Procedures Act, MCL 24.232(8), does not apply.

**5. If MCL 24.232(9) applies and the proposed rules are more stringent than the applicable federal standard, provide either the Michigan statute that specifically authorizes the more stringent rules OR a statement of the specific facts that establish the clear and convincing need to adopt the more stringent rules.**

Section 32(9) of the Administrative Procedures Act, MCL 24.232(9), does not apply.

### **Purpose and Objectives of the Rule(s)**

**6. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.**

The Commission and department are vested with management, control, and jurisdiction over all professional boxing, professional or amateur mixed martial arts, and all other unarmed combat contests or events in the state. See MCL 338.3622(8). The Act and the unarmed combat rules currently do not provide for safety standards, procedures, or a regulatory structure that allow for kickboxing and muay thai events to safely occur in the state. R 339.101(1)(i) and (l), R 339.104, R 339.203(5), R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b would establish safety standards, procedures, and a regulatory approval process for kickboxing and muay thai events similar to those already in place for boxing and mixed martial arts events in Michigan.

R 339.201(3)(a) would add the atomweight weight classification for mixed martial arts contests. Atomweight is a new weight classification popularized in women's mixed martial arts contests. Currently, those who weigh up to 105 pounds are classified as strawweight, and there is a great disparity in physical skill that is unsafe for the contestants that weigh up to 105 pounds.

The Commission determined that the amateur experience requirement in R 339.203 was too rigid and needs to instead afford the Commission and the department the flexibility to allow an amateur to obtain a professional license that matches his or her skill set and talent. R 339.203(3)(c), (4)(c), and (5)(c) would allow individuals who have experience in one unarmed combat profession to use it towards obtaining licensure for another unarmed combat profession.

The Commission has received complaints from the public and contestants alleging favoritism from contest officials towards certain promoters, contestants, managers, trainers, and seconds. Proposed R 339.204a is designed to prevent actual or perceived conflicts of interest that contest officials may have with promoters, managers, seconds, trainers, or contestants by requiring each contest official to remain impartial and limit their communication with contest participants to only that necessary to satisfy their role as a contest official.

Currently, there is no threshold amount that a promoter is required to pay professional unarmed combat contestants. The Commission is aware of a practice where promoters set the purse amount for a professional contract at \$1 and make separate agreements with contestants, which are not disclosed to the department, that require contestants to sell tickets in exchange for a percentage of the sale of the tickets. Selling tickets as a factor in determining the amount of the purse a contestant receives is prohibited by section 54a(2)(bb) of the Act, MCL 338.3654a(2)(bb). Entering into separate agreements with a contestant without disclosing them to the department is contrary to the requirements of section 33(9) of the Act, MCL 338.3633(9). The frequency of this misconduct is unknown, because the burden to disclose contracts is on a promoter. The minimum purse requirement in proposed R 339.261(3) will help discourage this practice that has the potential to jeopardize the welfare of professional contestants.

Proposed R 339.205a, R 339.226, R 339.230, and R 339.232 would update the unarmed combat rules related to mixed martial arts to render them consistent with the ABC's model rules for mixed martial arts. R 339.226 would add a new type of contest result, and R 339.230 would change the judging criteria for mixed martial arts to render it more consistent with the judging criteria in the ABC model rules. R 339.205a and R 339.232 would make changes to terms to render them consistent with the ABC model rules and standard industry terminology.

**A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.**

Because of the growth of the sport in the state and public comments the Commission has received, the Commission anticipates that there will be an increase in event applications for kickboxing and muay thai events in the state following the promulgation of R 339.101(1)(i) and (l), R 339.104, R 339.203(5), R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b.

Under proposed R 339.201(3)(a), promoters may promote contests in a new classification for those weighing up to 105 pounds. The frequency of a change is indeterminate. Atomweight is not a weight classification recognized in the current rules that create a large weight class disparity in competition between mixed martial arts contestants.

Individuals that have experience and talent in one unarmed combat contest will be qualified to apply for professional licenses in other unarmed combat sports because of R 339.203 subrule (3)(c), (4)(c), and (5)(c).

The Commission expects that there will be fewer complaints questioning the impartiality of contest officials during unarmed combat contests because of R 339.204a.

The Commission expects that professional contestants will receive fair compensation through the minimum purse requirements in R 339.261(3), which will also discourage the use of side contracts requiring the sale of event tickets already prohibited by the Act.

A referee may declare a double knockout if the referee determines that both contestants are in a condition that might subject the contestants to severe injury under proposed R 339.226a. Under R 339.230, judges will be required to judge mixed martial arts contests consistent with the judging criteria set forth in the ABC model rules for mixed martial arts. There will be no change in behavior or practice based on the adoption of R 339.205a and R 339.232, since these rules would only change the terminology used in the rules.

**B. Describe the difference between current behavior/practice and desired behavior/practice.**

Currently, no kickboxing or muay thai events are occurring in Michigan because of a lack of a regulatory structure and safety standards for these unarmed combat sports. Proposed R 339.101(1)(i) and (l), R 339.104, R 339.203(5), R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b will allow kickboxing and muay thai events to safely occur in Michigan and will allow promoters to seek approval for these unarmed combat events through the established application process.

Atomweight is not a weight classification recognized in the current rules resulting in a large disparity within the strawweight classification between mixed martial arts contestants. Under R 339.201(3)(a), promoters may promote mixed martial arts contests using a new classification for those weighing up to 105 pounds.

Currently, the amateur experience requirement in R 339.203 is rigid and prevents individuals with experience in one unarmed combat sport to transfer their experience and skills towards professional licensure in another unarmed combat sport. R 339.203 subrule (3)(c), (4)(c), and (5)(c) will allow those with the requisite amateur experience in one unarmed combat sport to obtain a professional license in a different unarmed combat sport.

Currently, there is no express requirement for a contest official to remain impartial in the Act or the rules. However, impartiality is implied in the list of actions the department may take against the license of a contest official in section 47 of the Act, MCL 338.3647. The Commission lacks control over which qualified contest officials a promoter lists on his or her Request for Event form for an unarmed combat event. Proposed R 339.204a imposes a duty of impartiality on contest officials and limits contest officials' communications with promoters, contestants, seconds, trainers, or managers.

Section 11(g) of the Act, MCL 338.3611(g), defines "purse" as "a prize or any other remuneration offered to contestants to compete in a contest or event, including payment received for radio, television, motion picture rights, or other media." Currently, the purse in professional contracts can be any dollar amount negotiated between a promoter and contestant or contestant's manager so long as tickets are not a factor in determining the purse. The minimum purse requirement in R 339.261(3) will set the baseline purse amount in professional contracts at \$100 per contracted round.

Currently, a referee cannot declare a double knockout under R 339.226a. Under Rule 339.230, judges would be required to judge mixed martial arts using criteria set forth in the ABC model rule set for mixed martial arts. There would be no change in behavior or practice because of the promulgation of R 339.205a and R 339.232, since those rules would only change the terminology used.

**C. What is the desired outcome?**

The desired outcome of R 339.101(1)(i) and (l), R 339.104, R 339.203(5), R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b is to allow for the promotion of kickboxing and muay thai events in the state.

The desired outcome of R 339.201(3)(a) is to allow atomweight contests to occur at mixed martial arts events and encourage more participation in mixed martial arts events by women.

The desired outcome of R 339.203 subrule (3)(c), (4)(c), and (5)(c) is to provide more flexibility to those with experience and skill in one amateur unarmed combat sport to obtain a professional unarmed combat license in a different unarmed combat sport.

The desired outcome of R 339.204a is to increase the integrity of unarmed combat contests and events by expressly requiring the impartiality of contest officials.

The desired outcome of R 339.261(3) is to prevent illegal and secret side contracts and ensure that professional contestants receive fair compensation for displaying their unarmed combat skills.

The desired outcome of R 339.205a, R 339.226, R 339.230, and R 339.232 is to increase the safety of mixed martial arts contests while also rendering the rules of engagement for such contests consistent with the ABC model rules for mixed martial arts and standard industry terminology.

**7. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.**

Currently, the Commission does not sanction or approve muay thai or kickboxing events in the state. Without rules of engagement or a regulatory structure in place, promoters cannot capitalize on the market for professional kickboxing or muay thai events in the state. The frequency of requests for muay thai or kickboxing event approval is indeterminate, but the Commission receives public comment regularly at Commission meetings from individuals expressing support for allowing muay thai and kickboxing events in the state. Without R 339.101(1)(i) and (l), R 339.104, R 339.203(5), R 339.223b, R 339.223c, R 339.225a, R 339.226b, R 339.226c, R 339.230a, R 339.230b, R 339.232a, R 339.232b, and R 339.246b there is a barrier to the promotion of kickboxing and muay thai events in Michigan.

Similarly, without the appropriate weight classifications, promoters cannot capitalize on the market for contests between mixed martial arts contestants that would fall within the atomweight classification. Atomweight classification is a new weight classification for women's mixed martial arts contests. Without R 339.201(3)(a) there is a barrier to the promotion of atomweight contests in mixed martial arts events and to the participation of women in mixed martial arts.

After the adoption of the amateur experience requirement for professional unarmed combat contestants in 2018-105 LR, the Commission received two complaints from amateur contestants wishing to obtain a professional designation who demonstrated their competence in one or more unarmed combat sports. R 339.203 subrule (3)(c), (4)(c), would offer flexibility to those trying to demonstrate the requisite experience to obtain a professional unarmed combat license in a different sport.

The Commission received complaints from the public alleging favoritism towards promoters and other event participants from contest officials before, during, and after unarmed combat contests. Without R 339.204a that would expressly require the impartiality of contest officials, the Commission is limited in its authority to ensure fair competition in unarmed combat contests.

Without R 339.261(3), professional contestants may be subject to illegal and secret side agreements with promoters and may not be fairly compensated for their display of unarmed combat skills in the ring or cage.

There is no tangible harm that R 339.205a, R 339.226, R 339.230, and R 339.232 aim to address. R 339.205a, R 339.226, R 339.230, and R 339.232 are designed to render the rules more consistent with standard industry practice, the ABC model rules for mixed martial arts, and those states that adopted the model rules.

**A. What is the rationale for changing the rules instead of leaving them as currently written?**

Without the proposed rules, kickboxing and muay thai events could not occur safely in the state, and atomweight mixed martial arts contests could not occur in the state, potentially excluding certain female contestants from competition. Furthermore, the current professional unarmed combat license experience requirements prevents amateur unarmed combat contestants from obtaining a professional license in a different unarmed combat sport where their skill and experience in another unarmed combat sport could be more advantageous.

Fair competition supports the continued economic viability of unarmed combat events in Michigan and attracts contestants, promoters, and matchmakers and their business to the state. Without a rule addressing contest officials' impartiality, the integrity of contest results will be questioned, and even the appearance of impropriety between contest officials and event participants will undermine fair competition.

A minimum purse amount for professional contests helps discourage promoters from entering into secret contracts with contestants that require contestants to sell tickets to the event as part of their purse and better protect a professional contestant's rights under the Act.

**8. Describe how the proposed rules protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.**

The proposed rules are intended to allow the promotion of safe kickboxing and muay thai contests in the state, expressly require that contest officials remain impartial, and foster an environment of compliance with laws and rules that apply to contracts between promoters and professional contestants. The proposed rules set rules of engagement and standards of conduct for kickboxing or muay thai contests that promote fair competition, prevent contracts providing for contestant compensation based on ticket sales, and increase the welfare of professional contestants.

**9. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.**

There are no rules in the affected rule set that are obsolete or unnecessary. The Commission rescinded rules that were obsolete or unnecessary in 2018-105 LR.

**Fiscal Impact on the Agency**

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

**10. Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings for the agency promulgating the rule).**

There would be little to no cost in implementing the proposed rules. The Commission may instead see an increase in revenue because of new kickboxing and muay thai events being held in the state.

**11. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.**

The Commission does not anticipate the current level of expenditure to increase or decrease because of these rules. Therefore, the Commission has not made an agency appropriation.

**12. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.**

There will be no financial burden on the Commission for administering the proposed rules, and there are no duplicative acts. The burdens associated with the promotion of an unarmed combat event are established by statute. Any additional burdens imposed by the rules are necessary to ensure public safety and welfare, compliance, uniformity, and fairness with respect to unarmed combat events within the confines of the Act.

**A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.**

The rules are reasonable, because they protect contestants, officials, and other participants in an unarmed combat event from injury and exploitation. Furthermore, the proposed rules further the goal of increasing fair competition by requiring the impartiality of contest officials involved in unarmed combat events. They also make it more difficult for a promoter to enter into an illegal side agreement with a contestant that requires them to sell tickets to an unarmed combat event as part of their compensation.

**Impact on Other State or Local Governmental Units**

**13. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.**

The proposed rules affect licensees and unarmed combat contests under the Act. The rules do not affect other state departments or local government revenues or costs. It is possible that the ability to promote muay thai or kickboxing events in Michigan might result in a slight increase in indirect revenue generated by participants and spectators who attend these events.

**14. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.**

The proposed rules do not impose any program, service, duty, or responsibility on any city, county, town, village, or school district.

**A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.**

There are no required actions that other governmental units must take to be in compliance with the proposed rules.

**15. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rules.**

These rules do not require any additional appropriations to state or local governmental units.

## **Rural Impact**

**16. In general, what impact will the rules have on rural areas?**

These rules will apply uniformly throughout Michigan and will have no direct or indirect impact on rural areas.

**A. Describe the types of public or private interests in rural areas that will be affected by the rules.**

There are no public or private interests in rural areas affected by these rules. The rules apply to all of Michigan, regardless of public or private demographics.

## **Environmental Impact**

**17. Do the proposed rules have any impact on the environment? If yes, please explain.**

These rules focus on the regulation of the unarmed combat industry and will have no impact on the environment.

## **Small Business Impact Statement**

**18. Describe whether and how the agency considered exempting small businesses from the proposed rules.**

The Commission did not consider exempting small businesses from the proposed rules, because the proposed rules will not disproportionately affect small businesses. The proposed rules will equally affect all to whom they apply, regardless of the size of the business. Promoters are no more or no less likely to meet the requirements of the proposed rules based on their business size. Therefore, the rules require equal application across all business sizes.

**19. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rules upon small businesses as described below (in accordance with MCL 24.240(1)(a-d)), or (b) the reasons such a reduction was not lawful or feasible.**

Small businesses are not specifically exempt from the requirements of the proposed rules, because the Commission does not believe the rules will disproportionately affect small businesses. Further, the Commission believes that the application of the proposed rules to both small and large businesses alike is essential to ensuring the health, safety, and general welfare of unarmed combat contestants, participants, and the public and to ensuring the integrity of unarmed combat events statewide.

**A. Identify and estimate the number of small businesses affected by the proposed rules and the probable effect on small businesses.**

According to a report generated by the Commission's licensing database, there are 16 active promoter licenses. The report separates the promoter licenses by business and individual. As of October 19, 2021, six businesses hold an active promoter licenses, and 10 individuals hold an active promoter license. The number of promoters that fall within the definition of "small business" is unknown. The Commission does not collect the data necessary to determine if a promoter falls within the definition of "small business" in section 7a of the Administrative Procedures Act, MCL 24.207a. As noted in questions 18 and 19, the department does not anticipate that the proposed rules will have a disproportionate impact on small businesses.

**B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rules after projecting the required reporting, record-keeping, and other administrative costs.**

The Commission did not establish differing compliance or reporting requirements or timetables for small businesses under the proposed rules.

**C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.**

The Commission did not consolidate or simplify the compliance and reporting requirements necessary to comply with the proposed rules for small businesses. No specific skills are necessary to comply with the standards established by the proposed rules.

**D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.**

The proposed rules are not designed to replace design or operations standards. The proposed rules are designed to allow kickboxing and muay thai events in the state, expressly require the impartiality of contest officials, and provide for the safe and efficient administration of the Act.

**20. Identify any disproportionate impact the proposed rules may have on small businesses because of their size or geographic location.**

As mentioned in response to question 19a, the Commission does not collect data necessary to determine if a promoter falls within the definition of “small business” in section 7a of the Administrative Procedures Act, MCL 24.207a. Unarmed combat events occur throughout the state regardless of the size or geographic location of a promoter’s business.

**21. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.**

The proposed rules do not establish any new reports for promoters or small businesses. It is unknown whether any of the promoters licensed under the Act fall under the definition of a “small business.” The rules apply to all promoters licensed in this state, regardless of whether the promoter is a “small business.” Promoters are required to submit a report on a form provided by the department under section 54a(2)(aa) of the Act, MCL 338.3654a, that details contest results and any recommendations from a physician regarding the health of contestants that competed in an event. The cost of this report is minimal, because the form provided by the department is the same for all unarmed combat events.

**22. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.**

The proposed rules will not result in an increase in the costs associated with the purchase of equipment or supplies nor will they result in increased administrative costs. There may be an increased cost associated with the minimum purse requirement for professional contestants, but, as described in response to question 2a, the \$100 per contracted round is an established industry standard for professional contests.

**23. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.**

The Commission does not believe that legal, consulting, or accounting services are required for small businesses to ensure compliance with the proposed rules.

**24. Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.**

The Commission believes that a small business will be able to fully absorb the costs associated with the changes to the rules.

**25. Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.**

The proposed rules do not exempt or set lesser standards for compliance by small businesses. There is no additional cost to the agency beyond its current operational cost.

**26. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.**

There could be a large negative impact on the public interest if small businesses were exempt or held to a lesser standard than large businesses in the unarmed combat industry. The standards established by the proposed rules are intended to protect the health, safety, and welfare of unarmed combat contestants, increase fairness and impartiality, and encourage the expansion of unarmed combat contests and events in Michigan. The Commission does not believe that differing requirements or a blanket exemption from the application of the proposed rules would be consistent with the goals and purposes of the Act. Exempting or establishing different standards for small businesses would be inconsistent with Act and federal law.

**27. Describe whether and how the agency has involved small businesses in the development of the proposed rules.**

Small businesses were not involved in the formulation of the proposed rules. The Department consulted with and received the advice of the Commission's Rules Advisory Committee in developing the proposed rules.

**A. If small businesses were involved in the development of the rules, please identify the business(es).**

No small businesses were involved in the formulation of the proposed rules.

**Cost-Benefit Analysis of Rules (independent of statutory impact)****28. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.**

The regulatory structure of the Act places a majority of the costs of scheduling and safely conducting an unarmed combat event on a licensed promoter. The responsibility for organizing and advertising the event and complying with the rules of engagement for kickboxing or muay thai events will primarily be borne by promoters. Section 33 of the Act, MCL 338.3633, details the costs to obtain a promoter's license and a bond in the required amount. It also sets forth the regulatory enforcement fee and the application costs for all unarmed combat events. A new promoter that conducts a kickboxing or muay thai event in the state will pay a \$300 annual license fee, \$500 event application fee for each event, 3% of the total gross receipts from any contracts for the sale, lease, or other exploitation of broadcasting, television, and motion picture rights or other media for the event (not to exceed \$25,000), and the cost of a bond that covers not less than \$20,000 or more than \$50,000 of damages by the promoter for nonpayment of any liabilities associated with the event. In addition, the Act requires promoters to pay event insurance policy premiums that cover at least \$50,000.00 of a contestant's medical and hospital expenses related to injuries sustained in the contest or event and at least \$50,000.00 if the contestant dies because of injuries sustained in a contest or event. See MCL 338.3655. These costs are set by the Act and apply to all unarmed combat events, not just kickboxing, and muay thai events.

Also, under R 339.261, promoters would be required to pay professional unarmed combat contestants \$100 per contracted round. Under section 54(2)(a) and (b) of the Act, MCL 338.3654a(2)(a) and (b), the duration of regular mixed martial arts contests is limited to not more than three rounds and not more than five rounds for championship mixed martial arts contests. Thus, under proposed R 339.261, promoters that promote a professional mixed martial arts contest would be required to pay a professional contestant a minimum of \$300 or \$500 to each professional contestant. Similarly, under section 54(2)(a) and (b) of the Act, MCL 338.3654a(2)(a) and (b), the duration of regular boxing contests is limited to not more than ten rounds and twelve rounds for championship boxing contests. Under proposed R 339.261, promoters that promote professional boxing contests would be required to pay a minimum of \$1,000 to \$1,200 to each professional boxing contestant. Under proposed R 339.104, promoters that contract with professional kickboxing or muay thai contestants would be required to pay the same minimum purse amount as they would be required to pay professional boxing contestants. As discussed in response to question 2a, \$100 per contracted round is considered the industry standard and is the minimum amount a promoter would pay under the proposed rules to professional contestants who compete in the state.

**A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.**

The Act places the burden and costs of conducting an unarmed combat event in Michigan on the promoter. Contestants and contest officials who participate in kickboxing or muay thai events must pay licensing fees under sections 33a and 33b of the Act, MCL 338.3633a and MCL 338.3633b. Professional unarmed combat contestants may benefit from the minimum purse requirements of proposed R 339.104. However, as mentioned in the answer to question 2a, the minimum \$100 per contracted round is an industry standard for a minimum purse amount paid to a professional contestant.

**B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.**

The exact number of new promoters or current promoters that plan to promote kickboxing or muay thai events in the state is unknown. Except for what is detailed in the answer to question 28, there are no additional costs imposed on promoters by these proposed rules.

**29. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.**

Sections 33a and 33b of the Act, MCL 338.3633a and MCL 338.3633b, detail the license application costs for all unarmed combat contestant licenses and contest officials. Kickboxing or muay thai contestants who wish to compete in the state are required to obtain a contestant license and pay a \$45 application fee and an annual license fee of \$45. Anyone who wishes to obtain a participant license must pay a \$30 application fee and any of the following annual licensing renewal fees, depending on the license type: referees - \$150, judges - \$70, matchmakers - \$150, and timekeepers - \$70.

**A. How many and what category of individuals will be affected by the rules?**

The Commission anticipates that there will be an increase in contestant and participant license applications for kickboxing and muay thai events in the state. However, the exact number of new kickboxing or muay thai contestant or participant licenses is unknown.

As of October 8, 2021, there are 90 actively licensed professional boxing contestants and 71 actively licensed professional mixed martial arts contestants.

As of October 12, 2021, there are 12 actively licensed referees, 25 actively licensed judges, and eight actively licensed timekeepers. These individuals are defined as “contest officials” in R 339.101(b).

**B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?**

Those individuals who have trained in kickboxing and muay thai gyms in Michigan would have an opportunity to compete locally and further their amateur or professional unarmed combat careers. Also, those who have trained in kickboxing and muay thai gyms would be able to contribute to the growth of the kickboxing and muay thai sports in Michigan by obtaining a participant license. The quantitative impact on the sports of kickboxing and muay thai is unknown, because the Commission does not know how many new license applications will be submitted by promoters, contestants, and other event participants.

R 339.203(3)(c), (4)(c), and (5)(c) will allow contestants who wish to compete in professional contests in a different unarmed combat sport that they did not originally train or compete in to apply to do so using experience and skill obtained in another unarmed combat sport. This will save contestants and managers time and money. The Commission knows of two circumstances where more flexibility in licensing qualifications would have allowed an amateur contestant to compete in a different professional unarmed combat sport, but the exact number of amateur unarmed combat contestants this proposed rule would impact is unknown.

Under proposed R 339.204a, contest officials will be held to a higher standard to ensure their impartiality during unarmed combat contests. This will prevent unfair competition or the appearance of unfair competition. There is no known quantitative impact because of proposed R 339.204a. Contest officials may face a penalty if they are found to have violated proposed R 339.204a through the complaint process outlined in chapter 4 of the Act, MCL 338.3640 to MCL 339.3649a.

Under proposed R 339.261, professional contestants would be guaranteed a purse of \$100 per contracted round if they compete in a professional contest. Professional contestants would also benefit from the minimum purse requirement of \$100 per contracted round, because it sets a baseline for negotiations with promoters.

**30. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.**

There are no cost reductions to businesses, individuals, groups of individuals, or governmental units because of these rules.

**31. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.**

The Commission drafted these proposed rules to ensure that the rules align with the requirements of the Act and standard industry practice, that the law is administered consistently and effectively at unarmed combat events, to promote participant and public safety and welfare at unarmed combat events, and increase the competitiveness and fairness of events. The primary benefits are the promotion of new unarmed combat sports in the state, an increase in the fairness and integrity of competition, and the potential reduction in injuries. The Commission may see increased revenue from event and license applications related to kickboxing or muay thai events in the state. Based on the little data available to the Commission, any other quantitative benefit is unknown.

**32. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.**

The proposed rules may impact business growth or job creation. The Commission anticipates that these rules will attract new promotion of kickboxing and muay thai events in the state that fosters growth and job creation in the unarmed combat industry.

**33. Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.**

The rules will not disproportionately impact any individuals or small businesses because of their industrial sector, a segment of the public, business size, or geographic location.

**34. Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of the proposed rules and a cost-benefit analysis of the proposed rules.**

Information relating to the number of licensees under the Act was acquired through the Corporations, Securities, and Commercial Licensing Bureau licensing database. The cost and numbers were generated based on licensing information and reviewing the proposed rules and the Act.

**A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.**

Estimates and assumptions were made by reviewing the Act, the proposed rules, the ABC model rules, other jurisdictions' rules, and seeking the advice of members of the Unarmed Combat Commission with relevant industry experience. Any numbers generated for the regulatory impact statement and cost-benefit analysis were extracted from the Corporations, Securities and Commercial Licensing Bureau's licensing database.

## **Alternative to Regulation**

**35. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.**

A reasonable alternative for proposed R 339.204a is to require the Commission to appoint contest officials to attend events instead of promoters. The appearance of impropriety between promoters and contest officials would be eliminated since the Commission would randomly appoint contest officials to attend an unarmed combat event. Furthermore, requiring the Commission to appoint contest officials to unarmed combat events would be a practice consistent with most state athletic commissions that are responsible for regulating unarmed combat sports in the United States. The Commission determined that the alternative would conflict with Section 54a(1)(f) of the Act, MCL 338.3654a(1)(f). Section 54a(1)(f) requires a promoter to arrange for contest officials to attend an unarmed combat event. Therefore, a rule that requires the Commission to appoint a contest official to attend events is not possible because it would conflict with the Act.

No other reasonable alternatives have been identified that would achieve the same or similar goals of the proposed rules.

**A. Please include any statutory amendments that may be necessary to achieve such alternatives.**

Section 54a(1)(f) of the Act, MCL 338.3654a(1)(f), will need to be rescinded and replaced with a requirement that the Commission appoints contest officials at random.

**36. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.**

The Commission is unaware of similar programs or private market-based systems in other states, and the federal law imposes some restrictions for professional boxing contests or events.

**37. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.**

The alternative described in response to question 35 was not included in the proposed rules, because it would conflict with section 54a(1)(f) of the Act, MCL 338.3654a(1)(f). There were no other reasonable alternatives presented to or suggested by the Commission and rules subcommittee. A draft of the proposed rules was circulated to the entire Unarmed Combat Commission, and individual feedback was provided to the Department and the Unarmed Combat Commission Rules Subcommittee.

**Additional Information**

**38. As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.**

There are no specific instructions or methods of complying with the rules. The Commission believes that the rules make plain what is required of promoters, contestants, and officials who conduct or participate in unarmed combat events that take place under the regulatory structure of the Act. Should these rules go into effect, questions relating to compliance with the rules should be addressed to the Commission or the department. If necessary, changes will be made to the event and licensing forms and instructions once the rules are promulgated. In addition, notice and a summary of the changes will be posted to the Commission's website, [www.mi.gov/ucc](http://www.mi.gov/ucc).