

State Budget Office
Office of Regulatory Reinvention
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**REGULATORY IMPACT STATEMENT
and COST-BENEFIT ANALYSIS (RISCBA)**

PART 1: INTRODUCTION

Under the Administrative Procedures Act (APA), 1969 PA 306, the agency that has the statutory authority to promulgate the rules must complete and submit this form electronically to the Office of Regulatory Reinvention (ORR) at orr@michigan.gov no less than 28 days before the public hearing.

1. Agency Information

Agency name:	Department of Licensing and Regulatory Affairs
Division/Bureau/Office:	Corporation, Securities & Commercial Licensing Bureau
Name, title, phone number, and e-mail of person completing this form:	Mackenzie Jones, Legislative Analyst (517) 373-9871 Jonesm52@michigan.gov
Name of Departmental Regulatory Affairs Officer reviewing this form:	Liz Arasim Department of Licensing and Regulatory Affairs

2. Rule Set Information

ORR assigned rule set number:	2018 – 105 -LR
Title of proposed rule set:	Unarmed Combat

PART 2: KEY SECTIONS OF THE APA

24.207a “Small business” defined.

Sec. 7a. “Small business” means a business concern incorporated or doing business in this state, including the affiliates of the business concern, which is independently owned and operated, and which employs fewer than 250 full-time employees or which has gross annual sales of less than \$6,000,000.00.

24.240 Reducing disproportionate economic impact of rule on small business; applicability of section and MCL 24.245(3).

Sec. 40. (1) When an agency proposes to adopt a rule that will apply to a small business and the rule will have a disproportionate impact on small businesses because of the size of those businesses, the agency shall consider exempting small businesses and, if not exempted, the agency proposing to adopt the rule shall reduce the economic impact of the rule on small businesses by doing all of the following when it is lawful and feasible in meeting the objectives of the act authorizing the promulgation of the rule:

- (a) Identify and estimate the number of small businesses affected by the proposed rule and its probable effect on small businesses.
 - (b) Establish differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.
 - (c) Consolidate, simplify, or eliminate the compliance and reporting requirements for small businesses under the rule and identify the skills necessary to comply with the reporting requirements.
 - (d) Establish performance standards to replace design or operational standards required in the proposed rule.
- (2) The factors described in subsection (1)(a) to (d) shall be specifically addressed in the small business impact statement required under section 45.

(3) In reducing the disproportionate economic impact on small business of a rule as provided in subsection (1), an agency shall use the following classifications of small business:

- (a) 0-9 full-time employees.
- (b) 10-49 full-time employees.
- (c) 50-249 full-time employees.

(4) For purposes of subsection (3), an agency may include a small business with a greater number of full-time employees in a classification that applies to a business with fewer full-time employees.

(5) This section and section 45(3) do not apply to a rule that is required by federal law and that an agency promulgates without imposing standards more stringent than those required by the federal law.

MCL 24.245 (3) Except for a rule promulgated under sections 33, 44, and 48, the agency shall prepare and include with the notice of transmittal a **regulatory impact statement** which shall contain specific information (information requested on the following pages).

[**Note:** Additional questions have been added to these statutorily-required questions to satisfy the **cost-benefit analysis** requirements of Executive Order 2011-5].

MCL 24.245b Information to be posted on office of regulatory reinvention website.

Sec. 45b. (1) The office of regulatory reinvention shall post the following on its website within 2 business days after transmittal pursuant to section 45:

- (a) The regulatory impact statement required under section 45(3).
 - (b) Instructions on any existing administrative remedies or appeals available to the public.
 - (c) Instructions regarding the method of complying with the rules, if available.
 - (d) Any rules filed with the secretary of state and the effective date of those rules.
- (2) The office of regulatory reinvention shall facilitate linking the information posted under subsection (1) to the department or agency website.

PART 3: AGENCY RESPONSE

Please provide the required information using complete sentences. **Do not answer any question with “N/A” or “none.”**

Comparison of Rule(s) to Federal/State/Association Standards:

1. Compare the proposed rule(s) 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”), Corporations, Securities & Commercial Licensing Bureau (“Bureau”) regulates unarmed combat events, contestants, officials, and promoters. The proposed rules are designed to synchronize with the most recent changes to the Michigan Unarmed Combat Regulation Act (“Act”) and to adhere to the requirements established by the Act. 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.

A. Are these rule(s) 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, procedure for drug testing, procedures for disclosing interests, and other requirements for the sport of boxing. 15 U.S.C. § 6301 through § 6313. There are no federal mandates for mixed martial arts.

The proposed rules are required by state law. MCL 338.3622(4) requires the Department Director to promulgate rules to establish the following: Number and qualifications of ring officials; powers, duties, and compensation of ring officials; qualifications, activities, and responsibilities of licensees; license fees not provided for under the Act; necessary standards to accommodate federally imposed mandates not directly conflicting with the Act; a list of enhancers and prohibited substances; and standards to protect the health and safety of contestants. MCL 338.3647(2) requires the Department to promulgate rules regarding the timing of drug and alcohol tests and summary suspension procedures for contestants and other participants who refuse to take or fail such tests. MCL 338.3654a(2)(e) mandates that the Department set weight classification for contestants by rule. The proposed rules are designed to align and fulfill the requirements of the Act.

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

The proposed rules do not exceed a federal standard in the Professional Boxing Safety Act or the Muhammad Ali Boxing Reform Act. As noted, there is no federal law associated with mixed martial arts contestants, officials, promoters, and events.

2. Compare the proposed rule(s) to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.

The Bureau looked at the rules regarding unarmed combat in the four Midwestern states of Illinois, Indiana, Ohio, and Wisconsin. See:

State of Illinois: Ill. Admin. Code tit. 68, § 1370.10 through § 1370.780;

State of Indiana: 68 Ind. Admin. Code 24-1-1 through 24-6-14;

State of Ohio: Ohio Admin. Code § 3773-1-01 through 3773-9-06;

State of Wisconsin: Wis. Admin. Code § 192.01 through § 192.99

Each state establishes licensing requirements for contestants, officials, and promoters. Also, each state sets their own safety standards, weight classes, and conduct during an unarmed combat contest. Lastly, each state establishes enforcement provisions relating to drug testing and licensing violations. The proposed rules would establish weight classes similar to these other jurisdictions. The existing rules have safety standards, standards of conduct during an event, and enforcement rules similar to those of the other jurisdictions. The edits to the existing rules are designed to synchronize with the requirements of the Act, to ensure efficient administration of the Act, and ensure the safety of contestants during unarmed combat events.

A. If the rule(s) exceed standards in those states, explain why and specify the costs and benefits arising out of the deviation.

The proposed rules do not exceed those states' requirements.

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

The Bureau is not aware of other laws, rules, or legal requirements that duplicate or conflict with the proposed rules.

A. Explain how the rule has 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. The proposed regulations rescind rules that conflict with the Act.

Purpose and Objectives of the Rule(s):

4. Identify the behavior and frequency of behavior that the proposed rule(s) are designed to alter.

All of the changes in the proposed rules were made to align with the current requirements of the Act. The changes also include rules that ensure the safety of unarmed combat contests and efficient administration of unarmed combat events. Furthermore, some stylistic changes to the language of the rule were made.

The proposed changes to rule 201 would add weight classifications for boxing and mixed martial arts, as required by the Act. Weight classes are designed to ensure the fairness of the contest and the safety of contestants. Weight classes were most recently established by Emergency Rules, 2018-43 LR, and were previously established by statute, 2015 PA 183, until 2017 PA 146 removed them from the statute, effective January 31, 2018.

The proposed licensing requirements for professional boxers and mixed martial artists under rule 203(3) and (4) are designed to ensure the safety of contestants. Ensuring that boxers and mixed martial artists have a minimum amount of amateur experience prior to obtaining a professional license ensures that contestants will be evenly matched. Fighters who have a professional license in a different jurisdiction will be able to compete in the state upon the Department's determination. The current number of amateur contests that boxers and mixed martial artists compete in before obtaining a professional license is unknown.

Regarding rule 205b, currently, MCL 338.3647(3) requires promoters to provide a seat to an Unarmed Combat Commission member that is "immediately adjacent" to a ring or cage. Proposed rule 205b is designed to clarify "immediately adjacent" to prevent confusion for promoters and commission members. Furthermore, the Act requires that the promoters provide each commission member an additional seat in the venue, presumably for a guest of a commission member. Proposed rule 205b further clarifies that the additional seat does not need to be "immediately adjacent" or in the first or second row from the ring or cage.

The changes in rule 207 and rule 210 from surgeon's tape to cloth-based tape are designed to address a safety concern regarding plastic-based tape. Plastic-based tape can injure contestants during an unarmed combat contest. Changing the rule to solely "cloth-based tape" as opposed to "surgeon's tape" prevents the use of plastic-based tape that may injure a contestant. The frequency of the use of plastic-based tape is unknown.

The change to rule 215(7) ensures that no official is under the influence of alcohol or drugs while at an event as opposed to while performing his or her duties. There are breaks in between contests at an unarmed combat event where officials could consume drugs or alcohol, and this rule aims at prohibiting that behavior. This has occurred within the last decade.

The addition of rule 215(10) ensures referees are not fatigued during an unarmed combat event with multiple contests. Fatigue may impact a referee's judgment and ability to perform his or her duties. Having an additional referee preserves the integrity of the event and allows the event to continue if a referee becomes incapacitated. Currently, only one referee is required at an unarmed combat event.

The addition of rule 215(11) ensures that there is an alternate official available who is already approved by the Department if there is any judge, timekeeper, or referee who becomes unavailable for an unarmed

combat event. When officials become unavailable, it forces promoters to either contact the Department for last minute approval of an event official or to cancel the remainder of the event.

The addition of rule 217(2) is designed to encourage unarmed combat in the state and ensure the integrity of competition. Currently, the announcement of a contestant's win-loss record is not a requirement for an unarmed combat event. The frequency of events where a contestant's record is not announced is unknown.

The additions to rules 231 and 232 are for the purpose of ensuring that the rules are consistent with each other. For example, rule 226 lists disqualification as a type of contest result for a mixed martial arts contest without any explanation of the possible grounds for disqualification. Rules 231 and 232 clarify how a disqualification can occur and whether a referee can determine intent for purposes of a disqualification. The potential inconsistency in the application of the disqualification rules was highlighted last fiscal year when the Department contemplated disciplinary action under rule 233. Referees disqualify contestants approximately 1 to 2 times each year.

Rule 265 sets baseline fees for referees, judges, and timekeepers. The Bureau received criticism from event officials regarding the table in rule 265 which establishes minimum compensation. The addition of rule 265(2) would require the Bureau to annually adjust the baseline fee according to the Detroit Consumer Price Index.

The addition of rule 265(3) highlights to promoters the federal requirement to disclose the amount paid to event officials under 15 U.S.C. §6307f. The rule will also apply to mixed martial arts event officials to ensure the integrity of all regulated unarmed combat sports.

A. Estimate the change in the frequency of the targeted behavior expected from the proposed rule(s).

Regarding rule 201, the Bureau anticipates that there will not be a change in the frequency of targeted behavior. Currently, unarmed combat events must adhere to these weight classifications in the emergency rules.

Unless a boxer or mixed martial artist has a professional license in another jurisdiction, a contestant will have to meet the amateur requirement under rule 203(3) and (4) to obtain a professional license upon promulgation of the rules.

The Bureau anticipates that proposed rule 205b will alleviate any confusion regarding the seating of Commission Members at unarmed combat events as soon as the rules are promulgated.

As stated in response to question 4, the use of plastic-based tape versus cloth-based tape in rule 207 and 210 is unknown. However, by switching the language of the rules from "surgeon's tape" to "cloth-based tape," contestants will have to comply if they want to compete in unarmed combat events scheduled after the promulgation of the rules.

The change to rule 215(7) clarifies that an unarmed combat official must not consume or be under the influence of drugs and alcohol during an event. Therefore, once the rules go into effect, judges, timekeepers, and referees must not consume or be under the influence of drugs and alcohol at an event at all.

Under the changes to rule 215(10), two referees must be present for every contest. All contests that occur after the proposed rules go into effect must have two referees present.

Under the addition of rule 215(11), promoters will have to designate alternate official for the unarmed combat events that they are promoting when the rules go into immediate effect.

Under rule 217(2), when the rules go into effect, all unarmed combat events will have to announce each contestant's win-loss record before each contest.

The Bureau does not anticipate the frequency of disqualification to change as a result of the changes to rule 231 and 232. These changes were made primarily to provide specific grounds for disqualifications that occur at unarmed combat contests and to clarify procedures associated with disqualifications.

Under rule 265(2), the baseline fees would be adjusted annually, thereby providing an objective basis to update fees.

Under rule 265(3), a promoter would have to disclose each event official's compensation under MCL 338.3654a(1)(a) after the rules go into effect.

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

Regarding rule 201, there is no difference between current behavior/practice and the desired behavior/practice. The changes to Rule 201 are meant to permanently establish the weight classifications set forth in the Emergency Rules.

Currently, there is no requirement for a boxer or mixed martial artist to obtain amateur experience prior to obtaining a professional license. Unless a contestant has a professional license in another jurisdiction, under rule 203(3)(a), boxers will need to compete in 7 amateur contests or 28 amateur rounds before obtaining a professional license. Unless a contestant has a professional license in another jurisdiction, under rule 203(4), mixed martial artists will need to compete in 5 amateur contests before obtaining a professional license. These requirements set a baseline for contestants to obtain their professional license. Ensuring that professional contestants have adequate experience improves safety amongst fighters and increases the competitiveness of unarmed combat events.

Regarding rule 205b, currently there is some confusion regarding the seating of Commission members at unarmed combat events due to the ambiguous language of MCL 338.3647(3). Proposed rule 205b makes clear that "immediately adjacent to" means seats in the first or second row. Therefore, Commission members who attend events will be seated in the first or second row of the ring or cage.

For rules 207 and 210, the change in practice is from surgeon's tape to cloth-based tape. Surgeon's tape is a broad category of tape and includes plastic-based tape that could inadvertently injure contestants during an unarmed combat contest. Changing the language from "surgeon's tape" to "cloth-based tape" limits the type of tape that may be used and ensures contestants are not injured from a plastic-based tape.

The way rule 215(7) is currently written, judges, timekeepers, and referees can consume alcoholic beverages in between contest at an unarmed combat event. The desired change in the language ensures that judges, timekeepers, and referees must not consume alcoholic beverages at all during an unarmed combat event, regardless of whether there is a break in between their duties at the event.

The rules currently only require one referee at an unarmed combat event. The desired change in rule 215(10) would require that there be two referees at each unarmed combat contest to ensure that there is a backup if a referee becomes incapacitated or fatigued.

Currently, promoters are not required to designate alternate officials for an unarmed combat event. Should an event official back out of the agreed upon contract with a promoter, the promoter would have an alternate available that has already obtained the Department's approval under rule 215(11).

Currently, not all contestants' win-loss records are announced at their introduction during on unarmed combat event. Rule 217(2) will require that each contestant's win-loss record is announced before each unarmed combat.

Regarding rules 231 and 232, the current behavior as it relates to disqualifications is confusing. When the changes to rules 231 and 232 go into effect, referees will be provided with specific grounds for he or she to use in determining whether to disqualify a contestant.

Currently, the Department does not update the minimum compensation for unarmed combat officials under rule 265 annually. The desired practice is to update the minimum compensation for unarmed combat officials based on the Detroit Consumer Price Index. For reference, the last time the minimum compensation was updated for unarmed combat event officials was in 2005 through the rulemaking process.

Currently, the Department does not collect information on unarmed combat event official compensation from promoters. Rule 265(3) will require promoters to submit each event official's compensation prior to an unarmed combat event.

C. What is the desired outcome?

Generally, the desired outcome of the changes in the rules is to ensure safety amongst contestants, compliance with the statute, and the effective administration of the Act. The changes to rules 201, 203, 207, and 210 ensure that contestants are evenly matched and ensure the safety of each contestant during an unarmed combat contest. The desired outcome of rule 205b would be to make clear the promoter's obligation to provide seats to Commission members, ensuring their compliance with the Act. The desired outcome of rule 215 is to ensure that if an official becomes incapacitated or fatigued the remaining contests at an unarmed combat event will be able to continue, and it preserves the integrity of decisions made by officials. The desired outcome of rule 217(2) is to encourage the growth of unarmed combat events held in Michigan and to improve the integrity and competitiveness of the sport for contestants and spectators. The desired outcome of rules 231 and 232 is for disqualifications to be applied consistently. The desired outcome for the changes in rule 265 is to ensure that event officials are fairly compensated, and that the rules are consistent with federal law across all regulated unarmed combat sports.

5. Identify the harm resulting from the behavior that the proposed rule(s) are designed to alter and the likelihood that the harm will occur in the absence of the rule.

Regarding rule 201, the major harm would be that the Bureau would not be in compliance with the Act. Also, the safety of the contestants and the fairness of the competition will be in jeopardy without established weight classifications.

Rule 203 ensures that contestants are experienced prior to competing as professionals. The harm associated with inexperience is injury and the decreased competitiveness of the unarmed combat event. Without the experience requirement to obtain a professional license, a contestant with no fighting experience could compete against a contestant that has competed in several professional contests.

Rule 205b clarifies "immediately adjacent to" regarding the seating of Unarmed Combat Commission members at events. Currently, the language in the statute relating to the seating of commission members

is ambiguous. Without rule 205b, promoters, with the Department’s assistance, must interpret what “immediately adjacent to” means when a commission member attends an unarmed combat event.

Rules 207 and 210 change the requirements associated with the wrapping contestants use to protect their ligaments. Surgeon’s tape includes plastic-based tape, which can injure a contestant. Without this change, a contestant could injure themselves or other contestants.

Rule 215(7) clarifies that contracted event officials must not consume any alcohol or drugs during an unarmed combat event. Drugs and alcohol would impair the judgment of a judge, timekeeper, or referees in their role as an unarmed combat event official. Allowing this behavior negatively impacts the integrity of unarmed combat events. Without the ban, the officials may consume drugs or alcohol between performing their duties.

On average, approximately 12 contests occur at an unarmed combat event. Rule 215(10) would require promoters to have at least two referees available for an event. The harm of having a single referee at one event is fatigue to the referee that may impact his or her ability to adequately officiate all contests. Also, if a referee becomes incapacitated, the event will have to abruptly end, regardless of whether there is another contest scheduled.

The harm that rule 215(11) is addressing is when an event official becomes unavailable, the Department and the promoter face the difficulty of trying to find a replacement, oftentimes on short notice. Having alternates ensures that an event will continue and alleviate the administrative burdens associated with replacing event officials that become unavailable at the last minute.

The reputation to unarmed combat contestants is paramount to their success in the industry. Without rule 217(2), a contestant’s experience will not be recognized during contests, which, in turn, does not preserve the integrity of unarmed combat contests for spectators.

Without the changes to rule 231 and 232, the basis for disqualification is not clear, and the referee and Bureau must try to determine a contestant’s intent under rule 233 after he or she is disqualified.

As the frequency of unarmed combat events grows in the state, so will the need to compensate and attract experienced event officials. Basing the minimum compensation for event officials on the local consumer price index allows for it to increase annually under rule 265(2) based on an objective calculation.

The goal of the federal Muhammad Ali Boxing Reform Act’s disclosure requirements is to ensure transparency in boxing events and to prevent fraudulent practices. Rule 265(3) would require the disclosure of event official compensation for all unarmed combat events held in the state.

A. What is the rationale for changing the rule(s) instead of leaving them as currently written?

In general, the unarmed combat rule set is being updated to synchronize the requirements of the Act, as revised by 2017 PA 146, and to address safety and administrative concerns.

The weight classifications in rule 201 are required under MCL 338.3654a(2)(e) and are necessary to promote safety and fairness of unarmed combat contests. The rationale is to ensure that the Bureau is in compliance with the Act.

The rationale for adding the experience requirement in Rule 203 is to ensure the safety of contestants and ensure contestants are evenly matched. Without the experience requirement, contestants without fighting experience can compete with a contestant who has competed in numerous unarmed combat contests.

The purpose behind Rule 205b is to inform promoters and commission members what “immediately adjacent to” means in the context of the various venues where an event could be held. Without Rule 205b, the promoters, the Department, and the Commission members are left to interpret what “immediately adjacent to” means at each specific location of an unarmed combat event.

The rationale for changing surgeon’s tape to cloth-based tape in rules 207 and 210 is to make clear that cloth-based tape is the only type of tape that a contestant may use for wrapping his or her ligaments prior to a contest. Without the clarification, contestants could use potentially dangerous plastic-based tape.

The rationale behind the change in rule 215 is to ensure that referees are well-rested, that their decision making is not influenced by fatigue, and that an event can go on if an official becomes incapacitated or unavailable. This ensures the effective administration of the Act and improves the integrity of unarmed combat events.

The rationale for 217(2) is to promote unarmed combat contestants and the tradition of announcing the contestants’ records before spectators.

Rules 231 and 232 provide specific bases for a referee to use to disqualify a contestant. Without these changes, there is a risk of inconsistent enforcement.

The rationale for rule 265(2) is to increase the minimum compensation for event officials on annual basis based on an objective calculation determined by the United States Department of Labor, Bureau of Labor Statistics.

The rationale for rule 265(3) is to provide notice of the federal disclosure requirement for boxing and to improve the integrity of all unarmed combat events in the state by extending the requirement to all such events.

6. Describe how the proposed rule(s) 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 help facilitate the growth and competitive nature of unarmed combat events in Michigan while ensuring the safety of contestants, other participants, and the public.

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

Rules 203b and 203c conflict with MCL 338.3633b(2)(b), because the age of applicants for a referee, judge, or timekeeper license is different by rule than it is by statute. The statute clearly states that you must be 18 years of age to obtain a referee, judge, or timekeeper license while the rules specify a minimum age of 21. Therefore, the Bureau is rescinding rules 203b and 203c. The other requirements in rule 203b and 203c are being consolidated into rule 203a for all referee, judge, or timekeeper licenses.

Rules 204 conflict with MCL 338.3654a(2)(a), because the number of rounds allowed for unarmed combat events is different by rule than by statute. The statute clearly states that boxing rounds should not exceed 10 rounds while the rules exceed the requirement with 12 rounds. Therefore, the Bureau is rescinding rule 204.

Rule 204(5) duplicates MCL 338.3654a(2)(b), because the number of rounds, the duration of a round, and the time between rounds for championship mixed martial arts contests match the statute. The statute

clearly states the required number of rounds and the duration of mixed martial arts contests. Therefore, the Bureau is rescinding rule 204.

Rule 253 duplicates MCL 338.3654a(2)(z), because the waiting period between contests is the same duration, and the statute is clear. Therefore, the Bureau is rescinding rule 253.

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 reimbursement rates, etc. over and above what is currently expended for that function. It does not include more intangible costs or benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

8. Describe the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings).

There would be little fiscal impact, if any, as a result of the promulgation of the proposed rules. These rules will clarify the requirements of the Act and ensure that unarmed combat events occur within the confines of existing law. When the rules are promulgated, staff may devote time publicizing and explaining the updated rules to the regulated field. However, additional personnel will not be required, because the time to publicize the rules via its website would be negligible. Therefore, the Bureau does not foresee a fiscal impact as a result of these rule changes.

9. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rule(s).

The Bureau does not anticipate the current level of expenditure to increase or decrease as a result of these rules. Therefore, the Bureau has not made an agency appropriation.

10. Describe how the proposed rule(s) is necessary and suitable to accomplish its purpose, in relationship to the burden(s) it places on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.

There will be no fiscal burden on the Bureau for administering the Act, and there is no duplicative act. The burden associated with the promotion of an unarmed combat event is established by statute. Any additional burden imposed by the rules is necessary to ensure public safety and the efficient administration of each unarmed combat event within the confines of the Act.

A. Despite the identified burden(s), identify how the requirements in the rule(s) 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. Furthermore, the proposed rules clear up ambiguities present in the Act, which would avoid the added costs associated with disciplinary actions taken under the Act.

Impact on Other State or Local Governmental Units:

11. 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 such other state or local governmental units 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 contests under the Act. The rules do not affect other state departments or local government revenues or costs.

A. 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 impose no costs on other state or local government units. The Bureau is the only governmental unit responsible for administering the Act and Unarmed Combat Rules.

12. Discuss any program, service, duty or responsibility imposed upon any city, county, town, village, or school district by the rule(s).

The proposed rules do not impose any program, services, 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 rule(s). This section should include items such as record keeping and reporting requirements or changing operational practices.

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

13. 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 rule(s).

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

Rural Impact:

14. In general, what impact will the rule(s) have on rural areas?

The compensation for event officials in rule 265 may have an impact on unarmed combat events in rural areas, because the cost will increase annually based on the Detroit Consumer Price Index. A consumer price index is a measurement of the average change over time in the prices paid by urban consumers for goods and services. The value of a dollar is different in urban areas than what it would be for rural areas. This means that the minimum compensation for officials at unarmed combat events in rural areas would be based on the dollar value for their services in an urban economy.

Outside of the adjustment of minimum compensation for event officials, 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 rule(s).

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

Environmental Impact:

15. Do the proposed rule(s) 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 known impact on the environment.

Small Business Impact Statement:

16. Describe whether and how the agency considered exempting small businesses from the proposed rule(s).

The Bureau 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 application of the rules requires equal application across all business sizes.

17. If small businesses are not exempt, describe (a) how the agency reduced the economic impact of the proposed rule(s) 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 rule(s) upon small businesses as described below, per 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 Bureau does not believe the rules will disproportionately affect small businesses. Further, the Bureau believes that the application of the proposed rules to both small and large businesses alike is essential to ensuring the health and safety of unarmed combat contestants, participants, and the general public and to ensure the integrity of unarmed combat events statewide.

- A. Identify and estimate the number of small businesses affected by the proposed rule(s) and the probable effect on small business.

According to a report generated by the Bureau's licensing database on January 11, 2019, there are approximately 20 active promoter licenses. The report separates the promoter licenses by business and individual. As of January 11, 2018, there are 11 businesses that hold a promoter's license and 9 individuals that hold a promoter's license. The number of promoters that fall within the definition of "small business" is not known; however, as noted in questions 16 and 17, the Bureau 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 rule after projecting the required reporting, record-keeping, and other administrative costs.

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

- D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rule(s).

The proposed rules are not designed to replace design or operations standards. The proposed rules are designed to clarify current practices in the existing regulatory structures. Furthermore, the proposed rules ensure the safety and effective administration of the Act.

18. Identify any disproportionate impact the proposed rule(s) may have on small businesses because of their size or geographic location.

The Bureau does not anticipate that the proposed rules will have a disproportionate impact on small businesses because of their size or geographic location.

19. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rule(s).

The proposed rules do not establish any new reports for promoters or other licensees.

20. Analyze the costs of compliance for all small businesses affected by the proposed rule(s), including costs of equipment, supplies, labor, and increased administrative costs.

It is unknown whether any of the promoters licensed under the Act fall under the definition of a "small business." There are requirements that are generally applicable to all promoters licensed in this state,

regardless of whether the promoter is a “small business.” There are two changes to the Unarmed Combat Rules that all promoters will bear the burden of complying with. The changes to rule 215 will require a promoter to pay at least two referees to attend every amateur and professional event. Furthermore, the proposed changes will require a promoter to designate at least one alternate to the officials they are hiring. The table in rule 265 establishes a baseline payment structure for all unarmed combat officials, including referees.

21. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rule(s).

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

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

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

23. 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.

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

The impact on the public interest of exempting or setting lesser standards of compliance for a small business is unknown.

25. Describe whether and how the agency has involved small businesses in the development of the proposed rule(s).

Small businesses were not involved in the formulation of the proposed rules. The Department consulted with and received the advice of the Unarmed Combat Commission Rules Subcommittee in developing the proposed rules.

- A. If small businesses were involved in the development of the rule(s), 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):

26. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.

There are two changes to the Unarmed Combat Rules that all promoters will bear the burden of and the costs of complying with. The changes to rule 215 will require a promoter to pay at least two referees at every event. Furthermore, the proposed changes will require a promoter to designate at least one alternate to the officials already contracted for the event. The table in rule 265 establishes a baseline payment structure for all unarmed combat officials, including referees. Depending on the amount of the gross purses contracted for an unarmed combat event, the minimum cost for an additional referee ranges from \$100 to \$700. Whether or not a promoter pays an alternate would depend on the agreement between an alternate or a promoter. Depending on the gross purses contracted for, an alternate judge could cost between \$75 to \$450 and an alternate timekeeper could cost between \$50 to \$200.

- A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rule(s).

Unarmed Combat promoters will be directly affected by the rules and will bear the cost of paying the additional referee and, depending on their agreement with a promoter, alternate unarmed combat officials. Referees, judges, and timekeepers licensed in Michigan will directly benefit from the proposed ruleset. Contestants and the public will benefit from the increased competitiveness, safety, and integrity of the events.

- 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)? Identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.

Depending on the size of the gross purse, promoters will have to pay an additional referee \$75 to \$700 for an unarmed combat event. For alternates, depending on their agreement with promoters, the promoter may pay an additional \$75 to \$450 for a judge and \$50 to \$200 for an additional timekeeper. However, these dollar amounts are baseline fees. Each official, including referees, may negotiate with a promoter for a higher fee for his or her services. For contestants, the cost of cloth-based tape can vary. For example, a bulk role of 2-inch wide kinesio-tape (cloth-based) can cost between \$15 and \$60.

- 27.** Estimate the actual statewide compliance costs of the proposed rule(s) 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.

Outside of promoters, there may be a cost for amateur mixed martial artists. It is difficult to quantify the training costs associated with meeting the experience requirements in rule 203. Amateur boxing is exempt from the statute, and the Bureau does not collect data relating to the costs of training to become a professional mixed martial artist. Therefore, the actual cost of training to meet the threshold experience to obtain a professional license is unknown. License and application fees for contestants, promoters, referees, judges, and timekeepers are set by the Act in MCL 338.3633a and MCL 338.3633b.

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

There are approximately 20 promoters (11 business; 9 individuals) with active licenses in this state. There are 102 professional boxers, 127 professional mixed martial artists, and 127 amateur mixed martial artists with active licenses in this state. In addition, there are 44 judges, 11 timekeepers, and 12 referees with active licenses in the state.

- B.** What qualitative and quantitative impact does the proposed change in rule(s) have on these individuals?

Depending on the amount of the gross purses contracted for an unarmed combat event, the minimum cost for an additional referee ranges from \$100 to \$700. The burden to pay the referee would be on a promoter. Whether or not a promoter pays an alternate would depend on the agreement between an alternate or a promoter. Depending on the gross purses contracted for, an alternate judge could cost between \$75 to \$450 and an alternate timekeeper could cost between \$50 to \$200. For amateur unarmed contestants, the actual cost of training to meet the threshold experience to obtain a professional license is unknown. The benefit of having an additional referee and alternate officials, ensures that there are adequate personnel should an individual become incapacitated or fatigued. Furthermore, while at the cost of promoters, this means licensed event officials may see an increase in employment opportunities.

- 28.** Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rule(s).

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

- 29.** Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rule(s).

Provide both quantitative and qualitative information, as well as your assumptions.

The Bureau drafted these proposed rules to ensure that the rules align with the requirements of the Act, that the law is administered effectively at unarmed combat events, to promote participant and public safety at unarmed combat events and increase the competitiveness and integrity of events. The primary benefit is the potential reduction in injuries and notice regarding the requirements of the Act. Based on the little to no data available to the Bureau, the quantitative benefit is unknown.

30. Explain how the proposed rule(s) will impact business growth and job creation (or elimination) in Michigan.

The proposed rules will have little, if any, impact on business growth or job creation.

31. 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 as a result of their industrial sector, segment of the public, business size, or geographic location.

32. 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 a proposed rule(s) and a cost-benefit analysis of the proposed rule(s).

Information relating to the number of licensees under the Act was acquired through the Bureau's licensing database. The cost and numbers were generated based on licensing information, reviewing the proposed rules, and table 1 in rule 265.

A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., which demonstrate a need for the proposed rule(s).

Estimates and assumptions were made by reviewing the Act, the proposed rules, and seeking the advice of members of the Unarmed Combat Commission with relevant industry experience. Any numbers generated for the cost benefit analysis were provided by the Bureau's Licensing Division database.

Alternatives to Regulation:

33. Identify any reasonable alternatives to the proposed rule(s) that would achieve the same or similar goals. Include any statutory amendments that may be necessary to achieve such alternatives.

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

A. In enumerating your alternatives, include any statutory amendments that may be necessary to achieve such alternatives.

No additional statutory amendments are required. The rules must be promulgated prior to the expiration of Emergency Ruleset 2018-43 LR.

34. Discuss the feasibility of establishing a regulatory program similar to that in the proposed rule(s) that would operate through private market-based mechanisms. Include a discussion of private market-based systems utilized by other states.

The Bureau is unaware of similar programs or private market-based systems in other states, and the federal law restricts some of this for professional boxing.

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

There were no significant alternatives presented to the Bureau and rules subcommittee to consider. 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:

36. As required by MCL 24.245b(1)(c), describe any instructions on complying with the rule(s), if applicable.

There are no specific instructions or methods for complying with the rules. The Bureau believes that the rules make plain what is required of promoters, contestants, and officials for unarmed combat events to 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 Bureau’s Licensing Division. If necessary, changes will be made to standard forms and instructions once the rules are promulgated. In addition, notice and highlights of the changes will be posted to the Bureau’s website.

 ↓ **To be completed by the ORR** ↓

PART 4: REVIEW BY THE ORR

Date RISCBA received:	Resubmitted 2-21-2019/ 2-11-2019
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Date RISCBA approved:	2/22/19
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Date of disapproval:	
Explanation:	