

Legislative Analysis



UNARMED COMBAT REGULATORY ACT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4869 as enrolled
Public Act 196 of 2007

House Bill 4870 as enrolled
Public Act 197 of 2007

Sponsor: Rep. Barbara Farrah
House Committee: Regulatory Reform
Senate Committee: Economic Development and Regulatory Reform

First Analysis (8-28-08)

BRIEF SUMMARY: House Bill 4869 would add the regulation of professional mixed martial arts contests to the boxing act and rename the act as the Michigan Unarmed Combat Act. House Bill 4870 would amend a provision in the Michigan Penal Code to exempt contests regulated under the Michigan Unarmed Combat Act from the code's prohibition on prize fights.

FISCAL IMPACT: The bill would have fiscal implications on the Department of Labor and Economic Growth, as explained in greater detail below.

THE APPARENT PROBLEM:

Mixed martial arts (MMA), sometimes referred to as cage fighting, includes elements of the disciplines of jiu-jitsu, judo, karate, boxing, kickboxing, wrestling, and other forms of fighting. Reportedly, the fan base for MMA is growing exponentially and many matches are televised, some of which are available only by Pay-Per-View. Promoters and participants alike maintain that MMA is a safe sport, some say safer than boxing, when certain rules are followed and safety measures in place. For that reason, the major promoters will only host matches in states that regulate the sport. Michigan does not currently regulate the sport. Approximately half of the states have recently enacted or are currently considering legislation to allow and regulate MMA matches.

Some believe that hosting MMA events in Michigan could be an important source of revenue and cite ever increasing gate revenues and revenues from broadcast rights. For example, an event sponsored by the Ultimate Fighting Challenge or UFC (a mixed martial arts sporting association) held in Las Vegas in March of 2007 grossed a gate of \$4.3 million, and MMA Pay-Per-View events in 2006 generated \$223 million in revenue. Interest in MMA events is also growing in the Midwest. The first Illinois UFC event was scheduled to be held near Chicago in October with ticket prices ranging from \$50 to \$600. The first-ever Minnesota UFC event, held in Minneapolis on August 9, 2008, drew over 15,000 fans and had a live gate of more than \$2.25 million, which broke the venue's

former record gate of \$2.06 million set by a Billy Joel/Elton John concert. Michigan law, however, does not currently allow professional MMA events to be held in the state.

THE CONTENT OF THE BILLS:

House Bill 4869 would add the regulation of professional mixed martial arts contests to the Michigan Boxing Regulatory Act. The act would be renamed as the Michigan Unarmed Combat Regulatory Act. The bill is described in more detail later.

House Bill 4870 would amend Chapter 35, entitled "Prize Fights," of the Michigan Penal Code (MCL 750.447). Currently, this provision specifies that the chapter does not apply to any contests or exhibitions conducted, held, or given pursuant to provisions of the Michigan Boxing Regulatory Act. The bill would instead reference the Michigan Unarmed Combat Regulatory Act.

A more detailed summary of House Bill 4869 follows.

House Bill 4869 would amend the Michigan Boxing Regulatory Act (MCL 338.3601 et al.) to do the following:

- Rename the act as the Michigan Unarmed Combat Regulatory Act and the Michigan Boxing Fund as the Michigan Unarmed Combat Fund. The bill would also specify that the fund could only be used for the costs associated with the administration and enforcement of the act and costs associated with the administration of the act, including, but not limited to, reimbursing the Department of Attorney General for the reasonable costs of services provided to the department under the act.
- Apply various provisions that currently apply only to boxing also to mixed martial arts. The act would not apply to amateur mixed martial arts.
- Define "mixed martial arts" to mean unarmed combat involving the use of a combination of techniques from different disciplines of the martial arts. It would include grappling, kicking, jujitsu, and striking, subject to limitations contained in the act and rules promulgated under it.
- Revise the definition of "professional" to mean a person competing or who has competed in either boxing *or mixed martial arts* for a money prize. "Prize" would be defined as something offered or given of present or future value to a participant in a contest, exhibition, or match. "Amateur" would mean a person who was not competing and never had competed for a money prize or with or against a professional for a prize. For a boxing contest, "amateur" would be a person required to be registered by USA Boxing.
- Revise the definition of "promoter" to mean any person producing or staging any professional contest or exhibition of boxing *or mixed martial arts, or both*.

- Rename the Michigan Boxing Commission as the Michigan Unarmed Combat Commission and increase the number of voting members on the board from seven to 11; require four of those members to be licensees in boxing, four members to be licensees in mixed martial arts, and three members to represent the general public. After the bill's effective date, a quorum would consist of seven members. When so designated by the director of the Department of Labor and Economic Growth (DLEG), board action taken on only a boxing matter could only be considered by the boxing licensees and the members of the general public; a board action taken on only a mixed martial arts matter could only be considered by the licensed martial arts members and the members of the general public. In these situations, the quorum would be four members - two of whom would have to be licensed under the appropriate sport.
- Allow the commission to affiliate with any other state or national boxing *or mixed martial arts* commission or athletic authority. The commission, upon approval by the DLEG director, could enter into any appropriate reciprocity agreements.
- Incorporate by reference the requirements and standards contained in standards adopted by the New Jersey State Athletic Control Board, entitled "The Mixed Martial Arts Unified Rules," as they exist on the bill's effective date, with the exception of license fees described in those rules. (The uniform rules have also been adopted by the Nevada State Athletic Commission and several other states.) However, the standards contained in 13:46-24b.3 would not be incorporated by reference. (According to the department, this section relates to inspectors and the state already has an administrative program for hiring, training, and compensating inspectors, as well regulating the duties of inspectors.) Provisions contained in the Michigan Unarmed Combat Regulatory Act would supersede any conflicting requirements and standards. The DLEG director, in consultation with the commission, could promulgate rules consistent with Section 35 to alter, supplement, update, or amend the incorporated standards. (Section 35 pertains to standards for boxing and MMA exhibitions and participants and setting license fees for ancillary participants not regulated by the act such as timekeepers, judges, and physicians.)
- Require the DLEG director to promulgate departmental rules that set standards for mixed martial arts exhibitions; participants; and, to the extent not contained in the incorporated standards, licensure standards for a mixed martial arts professional referee, judge, or timekeeper and experience standards for a licensed professional judge of mixed martial arts contests, as well as rules setting license fees for all participants in activities regulated by the act.
- Require a mixed martial arts promoter to pay an event fee of \$2,000. (The \$125 event fee currently required of boxing promoters would remain the same.)
- Impose upon an MMA promoter the regulatory and enforcement fee of three percent of the total gross receipts from the sale or lease of broadcast rights of

MMA events regardless of the seating capacity of the venue. (Currently, this fee is imposed on boxing promoters only if the seating capacity of the venue in which the event is held exceeds 5,000. The bill would retain the 5,000 seat exemption for boxing promoters and would retain the \$25,000 cap per contract.)

- Revise a provision that currently requires a promoter to withhold or escrow 10 percent of the purse until the results of postcontest drug tests are available to DLEG to specify that of the amount withheld, no more than \$10,000 per contestant could be withheld.

FISCAL INFORMATION:

The bill would increase revenue and expenditures of the Department of Labor and Economic Growth, Bureau of Commercial Services, relative to the regulation of mixed martial arts events in the state, by an indeterminate amount, depending on the number of additional licenses issued and events held, as well as the structure of fees developed by the department through the promulgation of administrative rules. The bill would impose an MMA event fee of \$2,000 (compared to the \$125 fee for boxing events under continuing law), and a "regulatory and enforcement fee" equal to 3% of the total gross receipts from the sale or lease of broadcasting, television, or motion picture rights for the event, capped at \$25,000. Additionally, MMA promoters would also be subject to an initial license application fee of at least \$250 (set by administrative rule), as well as an annual license fee of \$250. The bills would likely result in an increase in the number of occupational licenses (timekeepers, judges, referees, etc). Also, with an increase in the number of licensees and events, it is expected that there would be a concomitant increase in the number of violations and the amount of administrative fines issued. Under the act, license fee and fine revenue is credited to the Unarmed Combat Fund and expended for the regulation of unarmed combat events in the state by the Bureau of Commercial Services. It is expected that the MMA-related activities required under the bills would be self-funding.

ARGUMENTS:

For:

The bill package is necessary if Michigan is to host professional mixed martial arts events. The bills would rename and expand provisions of the boxing act and penal code to include MMA contests. Besides making it legal for professional events to be held in the state, regulation is also needed to ensure the safety of the athletes. Under provisions of House Bill 4869, parts of the New Jersey law would be adopted by reference but the right to amend, revise, or alter these provisions to fit the sport as it exists within the state would be reserved. Currently, the New Jersey law adopted by reference sets rules for such things as construction requirements for the construction of the fighting area; specifications for bandaging the hands of an MMA fighter; mandatory use of gloves; duration of rounds; factors for judges to consider when scoring an MMA event; and the fouls for which a penalty will result if committed. Many of the states enacting laws to regulate MMA events have adopted these same standards.

Mixed martial arts events are held around the world and have been growing in popularity in the U.S., as evidenced by large ticket sales and substantial broadcast revenues. Since the major promoters will not sponsor an event in a state where the sport is not regulated, and since the state penal code prohibits unregulated prize fights, the bills are necessary. Without the change in law, promoters, participants, and fans of the sport will go elsewhere.

Though the bills took effect in March of 2008, professional events cannot be held in the state until such time as departmental rules are put in place as required by House Bill 4869. According to DLEG, the rules should be ready for public hearing soon and the entire process should be completed by early 2009, after which time a professional contest could be held.

For:

House Bill 4869 would only pertain to professional MMA contests - meaning, those in which professional athletes compete for prizes. The bill would neither prohibit nor regulate amateur matches. However, regulation of the professional side of the sport, insofar as standards for the training and competency of all involved are established, should still indirectly impact amateur exhibitions and result in a higher level of safety and quality. Perhaps in time, a national amateur organization on the order of USA Boxing would be established to provide structure for amateur MMA similar to what that organization does for amateur boxing.

Against:

Though many of the provisions in place for boxing would now include mixed martial arts, some of the fees are considerably higher for MMA. For example, the event fee for an MMA promoter is \$2,000 as compared to \$125 for a boxing promoter and MMA promoters would have to pay a percentage of the revenue from broadcast rights regardless of the size of the venue even though for boxing matches, the contest must be held in a location that seats over 5,000 spectators.

Response:

The event fee covers DLEG's administrative costs relating to a contest; for example, fight inspectors must be present at every event. The event fee goes to cover the salary for the inspectors, as well as travel costs if the inspector must travel outside his or her area. This is one area in which the department has been underfunded in recent years due to the continued weak economy. The higher fee for the new MMA events will more closely match the department's administrative expenses.

As for the percentage of broadcast revenue from MMA events not being tied to the size of the venue, at the time that provision was placed into statute, it was thought that boxing would be growing in the state. The opposite has been true; in recent years, boxing has been declining in the state in both quality of competitions and in spectator interest. In addition, the exemption for smaller exhibitions has provided a financial disincentive for promoters to stage large boxing contests with athletes at the top of their game. Since the provision went into effect, the state has not collected a penny from broadcast revenue of boxing contests. If MMA proves as popular in Michigan as the sport has in other states

and countries, it is important that a similar incentive not be given to MMA promoters to circumvent the fee by staging events in smaller locales or by declining to offer the event through various media such as television, closed circuit, or Pay-Per-View.

Eliminating this exemption for smaller boxing contests was considered during the legislative process, but it was decided that at this time, the legislation should focus on regulating mixed martial arts and not as a vehicle to rewrite the boxing laws.

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Mark Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.