



**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

**SPECIAL REVIEW**

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**Proposed Merger of the  
Minnesota Amateur Sports Commission  
and the Combative Sports Commission**

**MARCH 8, 2012**

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**OFFICE OF THE LEGISLATIVE AUDITOR**

STATE OF MINNESOTA • James Nobles, Legislative Auditor

March 8, 2012

Members of the Sunset Advisory Commission:

Several weeks ago, you requested that the Office of the Legislative Auditor (OLA) and Department of Administration review a proposed merger between the Combative Sports Commission and the Amateur Sports Commission.

OLA's response to the commission's request is contained in this document. The Department of Administration will provide its response separately.

Our review was conducted by Judy Randall and Julie Trupke-Bastidas. Please feel free to contact them or me, if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nobles". The signature is written in a cursive, flowing style.

James Nobles  
Legislative Auditor



## Introduction

On January 31, 2012, the Minnesota Sunset Advisory Commission asked the Office of the Legislative Auditor (OLA) and the Department of Administration to review the feasibility of a merger of the Minnesota Combative Sports Commission and the Minnesota Amateur Sports Commission. This report is OLA's response to that request.

In preparing this report, we read materials describing the activities of both commissions, reviewed statutes and laws, and analyzed the commissions' financial data from the past three years. We interviewed agency executive directors and administrative staff to gain a more detailed understanding of each commission. To learn commission members' perspectives on a potential merger, we attended a special meeting of the Minnesota Amateur Sports Commission. We also considered alternative options to a merger.

This report includes a summary of the information about the two commissions and our analysis of the feasibility of a merger. Overall, we concluded that:

- **While a merger of the two sports commissions is legally feasible, it is unlikely to result in benefits to the state, such as cost savings, and may have substantial drawbacks.**

In the following, we explain the basis for this conclusion. First, we provide background information about each commission, a description of the governance structures, and an analysis of expenditure and revenue data. Next, we discuss key considerations for deciding whether to merge the Minnesota Amateur Sports Commission and the Minnesota Combative Sports Commission. Finally, we offer a range of options for the advisory commission to consider.

## Background

The Minnesota Amateur Sports Commission was established in 1987 to promote the social and economic benefits of sport for Minnesota.<sup>1</sup> The Minnesota Combative Sports Commission was established in 2007, when the Legislature expanded the regulatory authority of the Minnesota Boxing Commission to include mixed martial arts and then later changed the commission's name.<sup>2</sup>

Table 1 identifies the purpose, functions, activities, and staff complement of each commission. The Minnesota Amateur Sports Commission *promotes and develops* amateur sports events and facilities, while the Minnesota Combative Sports Commission *regulates* boxing and mixed martial arts events.

The Minnesota Amateur Sports Commission focuses on events and facilities for nonprofessional level, noncombat sports including golf, ice skating, and volleyball. It researches and bids on events to bring amateur sports activities to the state, such as national and international soccer tournaments. Additionally, the commission promotes such events and works with local governments, facilities, and visitors' bureaus to assist with the logistics of hosting them. As part of this work, it developed 11 sports facilities across the state used for sports tournaments and other activities. The commission also administers grants for the Hennepin Youth Sports Program. It does not have statutory authority to make rules or regulate amateur sport activities.

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<sup>1</sup> *Laws of Minnesota* 1987, chapter 400, secs. 44-51.

<sup>2</sup> *Laws of Minnesota* 2007, chapter 135, art. 3, secs. 30-37; *Laws of Minnesota* 2008, chapter 300, secs. 20-36. Mixed martial arts is a full-contact sport involving striking through a variety of techniques including kickboxing, karate, and taekwondo.

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The Combative Sports Commission focuses on boxing, mixed martial arts, and tough-person contests, which are amateur boxing competitions. The commission regulates these sports to ensure that matches are fair and protect the health and safety of combatants. Specifically, the commission establishes and enforces rules to ensure fair events; licenses key participants of events; and monitors and trains match judges, referees, and inspectors. Enforcing contest rules requires that staff actively scrutinize critical components before, during, and after matches, such as checking that all combatants have had medical tests prior to and after competitions. Matches are either at the amateur or professional level.

**Table 1: Purpose and Activities of Sports Commissions**

	Minnesota Amateur Sports Commission	Minnesota Combative Sports Commission
Purpose -	To promote the health, social, and economic benefits of sport for Minnesota citizens and organizations	To protect the health and safety of combatants and to ensure the fairness of boxing and mixed martial arts events
Functions -	Researches, promotes, and develops amateur sports events and facilities; administers grant programs; partners with local communities	Regulates boxing, mixed martial arts, and tough-person contests <sup>a</sup>
Activities	<ul style="list-style-type: none"> <li>• Researches and develops amateur sports facilities</li> <li>• Develops and supports sports events and training programs</li> <li>• Administers grant programs, such as grants for the Hennepin Youth Sports Program</li> <li>• Assists local communities with hosting and - promoting sports events -</li> </ul>	<ul style="list-style-type: none"> <li>• Authorizes all professional boxing and amateur and professional mixed martial arts events</li> <li>• Issues 10 different licenses, including those for referees and combatants</li> <li>• Establishes rules for competitions</li> <li>• Performs regulatory actions before, during, and after boxing and mixed martial arts events</li> </ul>
Staff	3 Full-Time: <ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Associate Director</li> <li>• Administrative Assistant</li> </ul>	2 Full-Time: <ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Office Administrator</li> </ul>
Location -	<ul style="list-style-type: none"> <li>• National Sports Center in Blaine</li> <li>• Commission meetings are held in Blaine</li> <li>• Partners with communities statewide to assist with hosting sports events -</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative Building in St. Paul</li> <li>• Commission meetings are held in St. Paul</li> <li>• Matches are held in nine different areas of the state, mostly in larger cities</li> </ul>

<sup>a</sup> Mixed martial arts is a full-contact sport involving striking through a variety of techniques including kickboxing, karate, and taekwondo. Tough-person contests are amateur boxing competitions.

SOURCES: Minnesota Amateur Sports Commission, *Report to the Sunset Advisory Commission* (December 2011); Minnesota Combative Sports Commission, *Report to the Legislature in Compliance with Minnesota Statutes Section 3D.06* (Sunset Review) (December 2011); Minnesota Amateur Sports Commission, <http://www.mnsports.org>, accessed February 17, 2012; and Minnesota Combative Sports Commission, <http://www.mncombativesports.com>, accessed February 17, 2012.

A small number of staff perform the activities of each commission. The Minnesota Amateur Sports Commission has three full-time staff members: an executive director, associate director, and administrative assistant. The executive director builds partnerships among local communities to develop regional sports facilities and helps secure private sponsorships to fund sports facilities and events. The associate director researches events and facilities, manages the annual Star of the North Games, and

works with local governments to identify potential events and facility needs.<sup>3</sup> The administrative assistant manages all stages of the grant-making process and performs all human resources, administrative, and financial transactions.

The Combative Sports Commission has a full-time executive director and office administrator. The executive director authorizes all mixed martial arts and boxing events. Before approving an event, the executive director verifies that promoters have organized a fair match according to commission rules, such as ensuring fighters are cleared medically to participate and are paired against fighters of similar weight and experience levels. The office administrator verifies that fighters have valid licenses and events have the appropriate regulatory staff in attendance.<sup>4</sup> Starting in early 2008, the Combative Sports Commission has received financial, human resource, and administrative support services from the Department of Administration's Small Agency Resource Team.<sup>5</sup>

The Minnesota Amateur Sports Commission's office is located in Blaine at the National Sports Center, which is managed by a nonprofit foundation. The Minnesota Amateur Sports Commission developed the facility and oversees the center's management. The Combative Sports Commission rents an office from the Department of Administration for its office administrator; the executive director works mainly out of a home office.

## Governance Structure

The Minnesota Amateur Sports Commission and the Combative Sports Commission are each governed by a commission of appointed members. Table 2 shows the size of each commission, how members are appointed, the statutory qualifications of members of each commission, and a description of commission member activities.

Both commissions have members appointed by the Governor, as noted in Table 2. Specifically, 10 of the 18 members of the Minnesota Amateur Sports Commission and all of the Combative Sports Commission's 9 members are gubernatorial appointees. Of the remaining eight members on the Minnesota Amateur Sports Commission, six are legislative appointees and two are appointed by the other commission members.

Minnesota Amateur Sports commissioners are selected to ensure geographic representation and gender balance. Additionally, a portion of voting membership must have experience promoting amateur sports events. Combative Sports commissioners must either have expertise in mixed martial arts or boxing, with the exception of one member who must be a retired judge.

Members of the Minnesota Amateur Sports Commission and the Combative Sports Commission take an active role. Minnesota Amateur Sports commissioners help secure event and facility sponsorships. During meetings, Combative Sports commissioners discuss policy issues and grievances, including deciding whether to continue license suspensions. Several Combative Sports Commission members also

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<sup>3</sup> The Star of the North Games is an amateur Olympic-style multi-sport event held in a different Minnesota community each year.

<sup>4</sup> At least one staff person attends each match along with up to five inspectors and two commission members. The commission also schedules the match judges, referees, timekeeper, and physician, all of whom are licensed by the commission.

<sup>5</sup> The Department of Administration's Small Agency Resource Team offers human resource and financial management business support services to smaller commissions and boards in state government.

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attend matches to check that all safety measures are in place before, during, and after the match. For example, during a bout, commissioners may alert the referee if there is concern about the health of the combatants.

**Table 2: Governance Structure of the Sports Commissions**

	Minnesota Amateur Sports Commission	Minnesota Combative Sports Commission
Size	18 Commissioners: <ul style="list-style-type: none"> <li>• 1 chair</li> <li>• 13 other voting members</li> <li>• 4 nonvoting members</li> </ul>	9 Commissioners: <ul style="list-style-type: none"> <li>• 1 chair</li> <li>• 8 other Minnesota citizens</li> </ul>
Appointment	<p><b>Voting:</b></p> <ul style="list-style-type: none"> <li>• Nine appointed by the Governor for three-year terms</li> <li>• Three, one each appointed by the Governor, Senate Majority Leader, and Speaker of the House for two-year terms</li> <li>• Two appointed by the other voting commission members for three-year terms</li> </ul> <p><b>Nonvoting:</b></p> <ul style="list-style-type: none"> <li>• Two legislators from the Senate, one of whom is from the minority caucus</li> <li>• Two legislators from the House, one of whom is from the minority caucus</li> </ul>	All commissioners appointed by the Governor
Qualifications	<p><b>All voting and nonvoting members:</b></p> <ul style="list-style-type: none"> <li>• One from each congressional district</li> </ul> <p><b>Voting members:</b></p> <ul style="list-style-type: none"> <li>• Four must be experienced in promoting amateur sports</li> <li>• Two-year term members should be selected to ensure a gender balance on the commission</li> </ul>	<ul style="list-style-type: none"> <li>• One retired judge—either a former District, Court of Appeals, Minnesota Supreme Court, U.S. District for the District of Minnesota, or Eight Circuit Court of Appeals judge</li> <li>• Four with knowledge of boxing</li> <li>• Four with knowledge of mixed martial arts</li> </ul>
Activities	Oversee financial and management activities; help secure private sponsorships	Consider and adopt policy changes; address grievances; help regulate events

SOURCE: *Minnesota Statutes* 2011, 240A.02, subd. 1, and 341.22.

## Funding

The Minnesota Amateur Sports Commission and the Combative Sports Commission received appropriations from the General Fund in each of the fiscal years from 2009 to 2011, as shown in Table 3. For fiscal year 2012, the Minnesota Amateur Sports Commission received \$248,000 in General Funds; however, the Combative Sports Commission did not receive any appropriations.

Both commissions have had sources of funding other than General Fund appropriations. The Minnesota Amateur Sports Commission has received and distributed grant funding from Hennepin County. Additionally, the Minnesota Amateur Sports Commission also has received capital appropriations for local sports facility projects. With the exception of funding for the National Sports Center, which it manages directly, it passes through these funds once local partners have met funding match and reimbursement requirements. The Combative Sports Commission collects license and fee revenue. The



amount of fee revenue peaked in 2009 at more than \$140,000, due to a national Ultimate Fighting Championship event held in Minneapolis.<sup>6</sup>

In 2011, the Legislature raised combative sport fee amounts for all license categories. The commission projects this will result in annual revenue of more than \$102,000 for fiscal years 2012 and 2013. However, even with its carry-forward funds and an increase in fee revenue, commission staff project that revenues will not be sufficient to cover commission expenses and the loss of General Fund money through the end of fiscal year 2013.<sup>7</sup> Combative Sports Commission staff told us that the commission is working on several options to fill the gap, such as holding another Ultimate Fighting Championship event in the state.<sup>8</sup>

**Table 3: Sport Commissions' Revenues by Source, Fiscal Years 2009-11**

	Minnesota Amateur Sports			Minnesota Combative Sports		
	2009	2010	2011	2009	2010	2011
General Fund	\$1,055,000 <sup>a</sup>	\$ 270,000	\$270,000	\$ 80,000	\$ 80,000	\$ 80,000
Capital Appropriation	1,000,000	950,000	0	0	0	0
Fees	0	0	0	141,624	67,160	60,135
Hennepin County <sup>b</sup>	0	130,000	97,500	0	0	0
Total	\$2,055,000	\$1,350,000	\$367,500	\$221,624	\$147,160	\$140,135

<sup>a</sup> In addition to an appropriation of \$305,000 for operations, the Minnesota Amateur Sports Commission received \$750,000 to fund amateur sports activities and events at facilities run by the Metropolitan Sports Commission. The annual \$750,000 appropriation for this purpose was repealed in 2009.

<sup>b</sup> Since 2010, the Minnesota Amateur Sports Commission has administered grants for the Hennepin Youth Sports Program.

SOURCE: Office of the Legislative Auditor, analysis of financial data for Minnesota Amateur Sports Commission and Minnesota Combative Sports Commission.

With the exception of grant funding distributed by the Minnesota Amateur Sports Commission, a significant majority of both agencies' expenditures are for staff, as shown in Table 4. While staff expenses for the Minnesota Amateur Sports Commission have been similar over the past three years, staff costs for the Combative Sports Commission have increased 63 percent from 2009 to 2011. Due to the increasing number of mixed martial arts events, the executive director's position increased from part-time to full-time in 2011.

Except for in 2010, administrative costs for the Minnesota Amateur Sports Commission have been minimal because their office space, copier, and supplies are provided by the National Sports Center Foundation.<sup>9</sup> The Combative Sports Commission's administrative costs increased 72 percent from 2010

<sup>6</sup> Ultimate Fighting Championship is a national organization that promotes professional mixed martial arts events.

<sup>7</sup> The Department of Administration estimates that the Combative Sports Commission's funding shortfall will be about \$35,000 by the end of fiscal year 2013.

<sup>8</sup> Commission staff project that a large-scale mixed martial arts event such as the Ultimate Fighting Championship would likely generate enough additional revenue for the commission to operate for several years.

<sup>9</sup> The Minnesota Amateur Sports Commission's administrative costs in 2010 included expenses from several recognition events and a reimbursement to the Star of the North Games for the time its interns spent working on Minnesota Amateur Sports Commission events, such as Schwan's USA Cup.

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to 2011. Commission staff told us that the increase was associated with creating an online licensing system, moving offices, and holding several trainings for match inspectors.<sup>10</sup>

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**Table 4: Sport Commissions' Expenditures, Fiscal Years 2009-11**

	Minnesota Amateur Sports Commission			Minnesota Combative Sports Commission		
	2009	2010	2011	2009	2010	2011
Salary & Benefits <sup>a</sup>	\$ 299,033	\$ 292,630	\$292,806	\$ 82,076	\$107,095	\$134,050
Travel	4,845	4,977	2,702	8,016	9,963	14,486
Administrative	216	8,806	350	11,499	14,480	24,837
Grants	<u>1,741,500</u>	<u>1,042,500</u>	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$2,045,594	\$1,348,913	\$355,858	\$101,591	\$131,538	\$173,373

<sup>a</sup> Salary and Benefits for the Combative Sports Commission include the cost of commission staff and wages of the inspectors who work at the commission-regulated mixed martial arts and boxing events.

SOURCE: Office of the Legislative Auditor, analysis of financial data for Minnesota Amateur Sports Commission and Minnesota Combative Sports Commission.

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## Key Considerations

In assessing the feasibility of a merger between the Minnesota Amateur Sports Commission and the Combative Sports Commission, we considered whether a merger was legally permissible and whether it could potentially result in benefits to the state. We examined possible outcomes according to several key factors: 1) legal issues, 2) cost savings, 3) governance issues, and 4) stakeholder impact. The following is a discussion of how a merger may affect each of these factors.

### Legal Issues

Executive branch agencies, including the sports commissions, are formed and granted their authority, powers, and duties by the Legislature. As such, the Legislature can dissolve or create agencies or change the power and duties of agencies through legislation. Neither commission receives federal funding nor performs activities mandated by the federal government. Therefore,

- **The Legislature has the authority to merge the Minnesota Amateur Sports Commission and the Combative Sports Commission.**

A merger of both agencies would require only a modification of state law. According to *Minnesota Statutes* 2011, 3D.21, both the Minnesota Amateur Sports Commission and the Minnesota Combative Sports Commission will be abolished unless the Legislature takes action to continue or reorganize these agencies.

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<sup>10</sup> Administrative expenses in 2011 also included payments for prior-year's administrative support from the Department of Administration's Small Agency Resource Team. Since 2011, the fee for services from the Small Agency Resource Team has been waived for the Combative Sports Commission.

## Cost Savings

A potential reason to merge agencies is to realize cost savings. Cost savings might result from finding administrative efficiencies, such as reducing duplicative functions performed by each agency. Given the timeline of this report, we were not able to calculate the budgetary impact for each commission or determine the specific up-front costs of a potential merger. However, in examining agency budgets and potential types of merger costs, we determined that:

- **While some efficiency may result from combining the two commissions, it is not likely to result in substantive cost savings for the state.**

A potential area for savings from a merger is in administrative expenses. Both the Minnesota Amateur Sports Commission and the Combative Sports Commission have separate Web sites, office locations, and office equipment. The Minnesota Amateur Sports Commission processes its own administrative and financial transactions while the Combative Sports Commission relies on support services from the Department of Administration for these tasks. Merging the two entities may reduce some minimal administrative duplication in these areas. For example, it may be possible to integrate the two Web sites into one, transfer staff into one office, and share office equipment.

However, administrative cost savings would not be substantial. The Combative Sports Commission has higher administrative expenses than the Minnesota Amateur Sports Commission, partly because the Minnesota Amateur Sports Commission has leveraged its relationship with the National Sports Center Foundation to minimize administrative expenses. While some of the Combative Sports Commission administrative expenses may decrease with a merger, some expenses would remain. For example, the Combative Sports Commission has many financial transactions from processing license fees and paying event inspectors that would need to continue after a merger. These are not activities that the Minnesota Amateur Sports Commission currently performs.

Minimal cost savings may result if the merged agency had fewer commission members than the current combined total of 27 members. Members of each commission are paid a per diem of \$55 for attending commission meetings and activities and are reimbursed for mileage. The annual savings from merging and decreasing the size of the commission would depend on the number of members reduced but would likely be a negligible amount.

Most staff costs would be unaffected by a merger. The set of activities currently being done by staff of the two commissions is likely to continue under a merged agency. Because these functions have very little overlap, a merged agency would likely require the same number of staff to carry out its activities. For example, a staff person would still need to attend each combative sport event around the state to ensure proper enforcement of rules. A staff person would also need to continue to research and develop sports events and facilities.

At the same time, merging the two entities would require planning and may have up-front costs. A consolidation of activities under one agency would necessitate developing a new logo, revising Web sites and agency materials, transferring files and equipment, reorganizing commission duties and functions, and merging administrative and human resource activities. Given their limited funding and the small number of staff carrying out the work of each agency, it would be challenging to complete a successful merger while at the same time ensuring that the functions of the agencies are still adequately performed.

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Additionally,

- **A merger may negatively impact the core functions of the commissions and could potentially result in a loss of revenue for each commission.**

Both Minnesota Amateur Sports Commission and Combative Sports Commission staff expressed concern about a merger's potential impact on their core functions. One of the key activities of the Minnesota Amateur Sports Commission is securing private sponsorships to help develop sports facilities and events. For example, the commission has raised millions of dollars for events and sports facilities from private sources, such as the Schwan Food Company and Coca-Cola. Minnesota Amateur Sports Commission staff told us that a merger with the Combative Sports Commission would likely put these sponsorships at risk because the donors may not want to support an organization associated with mixed martial arts. Also, the Minnesota Amateur Sports Commission does not have excess funding to fill the budget shortfall for the Combative Sports Commission. If the commissions were merged, the lack of adequate funding for combative sports regulation may negatively impact the ability of the Minnesota Amateur Sports Commission to carry out its core functions. The Minnesota Amateur Sports Commission unanimously passed a resolution opposing a proposed merger with the Combative Sports Commission on March 6, 2012.

Combative Sports Commission staff told us a merger with the Minnesota Amateur Sports Commission could diminish their ability to ensure that combative sports are properly regulated. Staff said there may be an appearance of a conflict of interest if a regulatory entity is also an entity that promotes and develops sports events. Additionally, regulating mixed martial arts and boxing events requires knowledge of the rules of combat sports and attention to all aspects of monitoring an event. Failure to properly oversee and monitor events may damage the state's reputation for being able to hold fair and safe events. Staff said that this could lead to fewer events held in the state; thereby, negatively impacting the license revenue that is raised to fund the regulatory activities.

### **Governance Issues**

Merging two agencies can be advantageous if it brings together resources or expertise that would help both organizations. We considered whether a merger would benefit the governance of each commission and determined that:

- **Developing a governance structure that balances the needs of each commission would be challenging.**

Both commissions require a certain number of members to have expertise in particular areas. Designing an appropriate structure that mixes the current qualifications, such as experience promoting amateur sports events and knowledge of mixed martial arts, may be challenging. The expertise advantageous for one commission does not appear to be beneficial for the other. In particular, commission staff told us that commissioners with experience in mixed martial arts may not have an interest in promoting amateur sports activities. Likewise, commissioners who help secure corporate sponsorships for youth events may not be eager to monitor a mixed martial arts event.

Merging the two commissions would require establishing a balanced governance structure so the activities of each commission receive the appropriate attention, which may be difficult. The actions currently taken by the commissions are distinct. Minnesota Amateur Sports commissioners help solicit sponsors and oversee the development of sports facilities in the state. Combative Sports commissioners set and enforce policies for mixed martial arts and boxing events. The commissioners are careful to

maintain an appropriate distance between the promoters of such events to ensure that the commission applies its rules fairly.

## Stakeholder Impact

A merger between two agencies could be useful if it benefits the stakeholders of each agency. We considered the potential affect of a merger on each commission's stakeholders and noted that:

- **The Minnesota Amateur Sports Commission and the Combative Sports Commission typically have distinct stakeholders; a merged organization would need to ensure that the interests of both constituencies are met.**

The Minnesota Amateur Sports Commission serves various members of the public, including local, national, and international sports participants. Amateur athletes, a large portion of whom are youth, participate in programs and utilize facilities developed by the commission. The sports centers the Minnesota Amateur Sports Commission has developed range from sport-specific facilities to those that are used for sports recognized by the U.S. Olympic Committee, which do not include mixed martial arts. Local partners working with the commission include local governments; convention and visitors bureaus; chambers of commerce; and community organizations sponsoring events, such as marathons and soccer tournaments.

Stakeholders of combative sports include the public fans and members of the boxing and mixed martial arts communities, including combatants, promoters, trainers, physicians, inspectors, judges, referees, and large promotional groups, such as the Ultimate Fighting Championship. Events are held at hotels, nightclubs, arenas, and armories in specific cities around the state.

Both Minnesota Amateur Sports Commission and Combative Sports Commission staff told us they see little overlap between the stakeholders of the two commissions. As separate entities, the commissions can likely better focus on their individual missions and the participants they serve. Merging the commissions creates a risk that one set of stakeholders' interests will not be adequately met. It is not likely that a merger would result in better service to the stakeholders, and it may even negatively affect those currently benefiting from the commissions' work.

## Other Options

Below we discuss four alternatives to merging the Minnesota Amateur Sports Commission and the Combative Sports Commission: 1) maintaining the status quo, 2) dissolving the Combative Sports Commission, 3) transferring the regulatory functions of the Combative Sports Commission to another state agency, and 4) merging the Combative Sports Commission with the Minnesota Racing Commission. We did not review the feasibility of these options but provide them as possible alternatives that the Sunset Advisory Commission may want to explore.

### Option 1: Maintain the Status Quo

One option is for the Sunset Advisory Commission to recommend that the Combative Sports Commission continue as the entity that regulates combative sports. This option allows the Combative Sports Commission to continue its core focus on establishing and enforcing rules to ensure the health and safety of participants of boxing and mixed martial arts events.

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By retaining the Combative Sports Commission, however, the state would likely need to address the commission's funding shortfall. As noted earlier, beginning in fiscal year 2012, the Combative Sports Commission's only source of revenue has been license fees. The commission's projected revenues are not likely to be sufficient to cover expenses through fiscal year 2013.

### **Option 2: Dissolve the Combative Sports Commission**

A second option is for the Legislature to dissolve the Combative Sports Commission and discontinue state regulation of boxing and mixed martial arts events. This option is similar to what was in place in Minnesota from 2001 to mid-2006, when the state's boxing commission was disbanded and the state had not yet begun regulating mixed martial arts.

Dissolving the Combative Sports Commission would likely eliminate professional boxing events in the state, except for those held in tribal communities that have boxing commissions.<sup>11</sup> The effect of disbanding the Combative Sports Commission on mixed martial arts is less certain.<sup>12</sup> Absent a state regulating body, mixed martial arts events could still be held in Minnesota. The state could require that events be sanctioned by an organization, such as the International Sport Combat Federation.<sup>13</sup> By doing so, the state would join only two other states (Wyoming and Alaska) that allow professional mixed martial arts events but do not have a commission or state agency that regulates such competitions. Several states rely solely on nonstate sanctioning organizations to regulate *amateur* martial arts events, even though they have a state agency or commission regulating professional mixed martial arts.<sup>14</sup>

With no state commission or agency regulating mixed martial arts, Minnesota could leave licensing or permitting of such events to local governments. Local governments could decide the terms under which such events could be held in their communities, similar to decisions cities make regarding activities being held in their community that are not regulated by the state but raise health or safety concerns, such as marathons. We discussed this option with several city officials. They noted that some cities would not likely have the capacity or interest in regulating these events at the same level as is currently done by the state.

### **Option 3: Delegate the regulatory functions to another state agency**

Another option the Legislature might consider is to delegate the regulatory functions of the Combative Sports Commission to a state agency that conducts similar activities, such as the Department of Public Safety or the Department of Health. Moving the regulatory functions of the Combative Sports Commission to a larger agency would ensure that this work is carried out by a well-established agency.

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<sup>11</sup> Federal law requires that professional boxing matches be regulated by a state or tribal boxing entity or the Association of Boxing Commissions. *89 U.S. Code*, secs. 6301-6313 (2011). Currently, the Mille Lacs Band of Ojibwe is the only tribe in Minnesota that has a boxing commission.

<sup>12</sup> Federal law does not require a state entity to regulate professional or amateur mixed martial arts.

<sup>13</sup> The International Sport Combat Federation is one of the largest sanctioning bodies for mixed martial arts events in North America.

<sup>14</sup> States vary in their approach to regulating amateur mixed martial arts. Some states regulate the events through state commissions or agencies, some require that amateur mixed martial arts events be sanctioned by a sanctioning body, and some states require either their state commission or agency or a sanctioning body to regulate events. Amateur mixed martial arts is legal but not regulated in some states while in others, it is not legal.

The Department of Public Safety, through its Alcohol and Gambling Enforcement Division, conducts compliance checks and criminal investigations to enforce liquor licensing and gambling laws. As part of its activities, the division has regulatory authority to issue licenses for gambling devices and liquor sales. The Department of Health, through its Compliance Monitoring Division, issues occupational licenses and regulates health facilities.

Transferring the responsibility of regulating combative sports to either the Department of Public Safety or the Department of Health has some potential drawbacks that would need to be explored. For example, the agency would likely need to establish an advisory council of people with knowledge of mixed martial arts and boxing to provide recommendations specific to regulating these events. A large state agency, however, might not have the same flexibility as the current commission to adjust rules or prioritize issues that may arise. Additionally, this option is unlikely to yield cost savings. Although particular divisions have somewhat similar activities to the Combative Sports Commission, neither of these agencies are a natural fit to regulate boxing and mixed martial arts, and the agencies themselves may not be eager to assume this task. In particular, the core missions of the Department of Health and the Combative Sports Commission do not directly align.

#### **Option 4: Merge with the Minnesota Racing Commission**

A final option is to merge the Combative Sports Commission and the Minnesota Racing Commission, which has similar regulatory functions. The Minnesota Racing Commission regulates horse racing and card playing to ensure they are fair and are carried out in the public interest. Among its activities, the Minnesota Racing Commission licenses racetrack owners, operators, and those working in racetrack activities, such as jockeys and trainers. Additionally, it establishes rules to govern races and investigates violations—all of which are activities comparable to those of the Combative Sports Commission.

A potential drawback with merging the two commissions is that the focuses of each are different. For example, the Combative Sports Commission regulates sporting events held by promoters around the state, while the Minnesota Racing Commission oversees gambling activities at only two facilities—Canterbury Park and Running Aces Harness Park. Similar to the proposed merger with the Minnesota Amateur Sports Commission, there may not be much overlap in the stakeholders or the expertise of commission members. Additionally, this option is not likely to generate cost savings. As with the other options, we suggest there be a more in-depth examination of this option before considering a merger.