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*Government gone wild. The battle between elements of the [Department of Consumer Affairs](#) & [California State Athletic Commission](#) is intensifying. As the financial pressure heats up and revenues decline for combat sports in California, who survives and who gets fired has many people on edge. Take a look [at the agenda for the CSAC's June 26th teleconference meeting](#) where the job security of George Dodd, the CSAC's Executive Director, is being openly discussed. His fate will apparently be determined in a closed session. Take note that the agenda states that an acting or interim Exec. Director could be appointed.*

*The June 26th CSAC meeting was just scheduled at the last-minute. It was not previously scheduled until today. A stakeholders conference call on July 15th was supposed to be the next hearing.*

- [Investigation: The future of combat sports in California](#) (May 6th)
- [Investigation: How did \(then\) 80 year old scandal-plagued politician John Frierson get an important job promotion?](#) (May 9th)
- [The politics of MMA's testosterone push & California's coming collapse](#) (June 7th)
- [California State Athletic Commission on a path towards insolvency, could get shut down](#) (June 10th, 2012)

Our latest article about the California State Athletic Commission being told that it is on the path to insolvency raised a lot of eyebrows. After all, who would ever expect the media to cover a three-hour public hearing and pay attention to what was said? Well, we did — and the response has been overwhelming. We've been contacted by fighters, promoters, and boots-on-the-ground about the fallout from the CSAC's fiscal woes. While every source has their own agenda, we've done our best to crystallize what the general issues facing the CSAC are and where the agency goes from here.

To understand how the politics work for the CSAC, consider the following:

### **Governor Jerry Brown -> Department of Consumer Affairs -> California State Athletic Commission**

The CSAC is under the DCA umbrella. The DCA manages many powerful political boards, some of which pay great salaries to its respective members with tremendous benefits. In the case of the CSAC, it's considered one of the lower echelon political appointments. For politicians like John Frierson, being on the CSAC means a lot to him. For the majority of politicians, the CSAC is considered low on the totem pole. You meet every other month, you get paid hundreds (not thousands) of dollars per meeting, and you're often not given a full picture as to what is really going on behind the scenes. Whatever you are presented with by the Executive Director in relation to the DCA's numbers & recommendations, that's what you are basing decisions on.

The CSAC is a puppet for the DCA. Remember this.

One of the most interesting comments we've received in response to our CSAC San Diego hearing report was this comment by someone named Brian. [He left a comment on our web site](#) with the following message:

**Brian says:** [June 12, 2012 at 4:24 pm](#)

Do some more research, the commission has gone through a sunset before. Events still happen. CSAC is a joke, management sucks, George Dodd is a joke that spent all the commissions money traveling to shows, to try and be cool. I watched him yell at athletes in the cage, and blame inspectors at the commission meeting for the budget problems. Governor Brown needs to clean CSAC house, get ride of all management they are all shady and involved in some sort of investigation. If John Frierson is so politically connected maybe he could take an hour of his time and turn CSAC back into a regulatory body, for the health and safety of athletes!! I mean after all just because CSAC would be doing what their job is, doesn't mean Mr. Frierson still couldn't receive gifts.

[Reply](#)

So, we've decided to take Brian up on his offer. After spending several days contacting sources on the ground and multiple accountants & lawyers for independent analysis of CSAC budget data provided to them via public agenda documents on the CSAC web site, we are starting to formulate a general picture that gives us a better idea of how the California State Athletic Commission got on the path to insolvency. Furthermore, our research raised some very interesting questions that will need to be addressed in the future — either by the agency or by the media. Whether this means FOIA (Freedom of Information Act requests) or lawsuits, there are certain methods that will need to be utilized to get the full picture about what has happened and what is currently happening with the finances.

For the mean time, however, based on the DCA's publicly released info we will do our best to fill you in on what our opinion is about the activities transpiring in Sacramento. If you patiently read our report here, we will reward you with a surprise twist to this story and why we paid very close attention to the comment that 'brian' made on our site.

### **'Brian' the commenter**

Let's quickly break down the loaded claims that Brian made in his comment on our site. On the surface, he sounds like an insider, does he not?

*Do some more research, the commission has gone through a sunset before. Events still happen.*

Oh, we have done plenty of research and will continue to do more of it in the near future. What Brian missed from our investigative reports about the CSAC & Chairman John Frierson is that we were hammering home the point that when it comes to the sunset review process, the political fix is in (in our opinion). A sunset review is where the state Senate Business & Professions committee, headed by CADEM political star Curren Price Jr., reviews the status of CSAC and determines whether to keep the agency open or not. At the last sunset hearing, it took all of 10 minutes to determine that the CSAC should remain open for business.

As we demonstrated in our investigation, Curren Price Jr. is someone who CSAC Chairman John Frierson has a political relationship with. Governor Brown has had a four-decade long political relationship with Chairman Frierson. You can see the symbiotic political relationship between the parties. The CADEM machine doesn't want to embarrass or anger Chairman Frierson nor does Frierson want to embarrass the CADEM political establishment.

So, yes, Brian, we made sure our readers understood why the upcoming sunset review by the SBP was useless politically. The problem for the politicians, however, is that the DCA fired off an insolvency letter to the CSAC that caught many of the politicians flat-footed. The politicians had no plan to shut down the CSAC via a sunset review. However, there's no money. When there's no money, there's no leverage.

See why political tensions in the DCA & CSAC have ratcheted up?

*CSAC is a joke, management sucks, George Dodd is a joke that spent all the commissions money traveling to shows, to try and be cool.*

This is an interesting sentence for various reasons. As we initially glanced through the budget data provided to the CSAC commissioners, we noticed that there are times where there simply isn't enough detailed information for the commissioners to adequately, in our opinion, make business decisions with 100% certainty. There's some ambiguity with the data provided on the spreadsheets. When we crowd-sourced the spreadsheet data to various accountants & lawyers to analyze, a lot of the remarks we received in return were of the following tone: *there's not enough data in parts, but what we can see smells fishy.*

At the San Diego hearing on June 4th, Exec. Director George Dodd said that the inspectors take up 53% of the CSAC's yearly budget. How is this possible? In addition to the salaries paid for civil servants & inspectors, there's a big issue regarding in-state travel costs. California is a very big state and it can take a long time to travel from one end of the state to the other. However, commenter Brian's point about the travel costs is absolutely on-target. As we will demonstrate later in this report, inspectors were allegedly paid well & traveled with comfort — to a ridiculous degree. It's also pertinent to ask who else took advantage of the in-state travel budget. Did commissioners get in on the action?

When we examined the in-state travel cost claims by Executor Director George Dodd, there was an interesting caveat to note .

*I watched him yell at athletes in the cage, and blame inspectors at the commission meeting for the budget problems.*

At the San Diego hearing, Dodd blamed the travel costs on the fact that inspectors spend hours and hours in traffic. This was such a laughable claim when we heard it that we had to replay the audio again to make sure he said what he did. As we will display in the budget data, this claim on the surface does not pass our smell test.

*Governor Brown needs to clean CSAC house, get ride of all management they are all shady and involved in some sort of investigation.*

The problems with these remarks are numerous. First of all, the CSAC is the DCA's puppet. The budget sheets given to the CSAC members, who I have no real love for, are labeled as budget numbers by the DCA. If DCA had such a problem with the profligate spending by Exec. Director Dodd and company, they could have put a stop to it much sooner. But they didn't. And now everyone's playing the blame game with each other. As we'll demonstrate later on, the figures that the commissioners were given at the April 9th, 2012 hearing in Sacramento indicated that budget figures were tight but manageable. Those figures were displayed on a generic one-page layout. It was not a detailed year-end budget spreadsheet format. There's no reason, in our opinion, that the commissioners should be given a modified budget summary sheet as opposed to seeing the standard year-end budget spreadsheet format with updated figures.

As we will demonstrate with screen captures from the spreadsheets, there are a series of questions that should have been asked years ago in regards to who was spending the money at DCA, where it was being spent, and why it was spent the way it was. These are all very uncomfortable questions which will produce answers that, in our viewpoint, will undoubtedly pit DCA & CSAC workers against each other politically. Nobody in political media circles in the last few years has bothered to analyze what's going on with the DCA/CSAC given that the commission is viewed in low regards in terms of political importance.

There's a reason that examination & investigation of both the DCA & CSAC is needed. You can't go after the CSAC without looking at what the DCA approved & disapproved of when it came to profligate spending.

*If John Frierson is so politically connected maybe he could take an hour of his time and turn CSAC back into a regulatory body, for the health and safety of athletes!! I mean after all just because CSAC would be doing what their job is, doesn't mean Mr. Frierson still couldn't receive gifts.*

This is how Brian finished his comment. This irked us for a couple of reasons. First, John Frierson is not working at DCA HQ in Sacramento. Does he have the ear of Jerry Brown & Curren Price? Yes, he does. However, is he the one sitting at an office daily controlling the budgeting process that led to the mess the CSAC is in now? Highly unlikely, based on the information that has been made publicly so far.

What bothered us greatly was the last line of this comment. John Frierson is a political lifer with the CSAC. That is almost unheard of. In order to be a lifer on the CSAC, you need political allies willing to go to bat for you for multiple stints. Frierson nearly lost his gig because of the famous gift/ticket scandal in 2009. Instead of losing his position & getting fined for alleged malfeasance (real or fabricated), he ended up getting then-state Assembly Speaker Karen Bass to help him get appointed on the CSAC again. As a result, he got a promotion and was named Chairman!

As I stated earlier, the CSAC is considered one of the lower political boards in the state of California in terms of political glamour. However, that doesn't give the board members any right to government graft. And given the budgeting incompetence on display with the CSAC & DCA, nobody should be asking or begging the public for freebies at this point in the game.

So, why did we focus so much on what 'brian' had to say and take his remarks seriously? Find out at the end of this report.

### **Research data**

These are the documents that we are pulling information from to write our report.

- [August 24th, 2009 agenda](#) (pages 15-21)
- [July 26th, 2010 agenda](#) (pages 22-25)
- [August 15th, 2011 agenda](#) (pages 21 to 29)
- [June 4th, 2012 agenda](#) (pages 15-16)

### **CSAC: After Armando, Before Dodd**

One of the claims made against Exec. Director George Dodd is that he's the lynchpin behind the mismanagement & red ink at the CSAC. So, we decided to take a look at budget data [presented in the August 24th, 2009 agenda](#) for the CSAC. After Armando Garcia left the CSAC and the CSAC completed a legal settlement to clear that departure, there was a power vacuum at the Exec. Director slot. You had Bill Douglas and a man named Dave Thorton who became the interim Exec. Director.

Let's take a look at the budget information during that time period for the FY (fiscal year) period then:

	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
<b>PERSONAL SERVICES</b>				
SALARIES AND WAGES				
003 00	CIVIL SERVICE-PERM	443,930	0	292,670
033 02	ATH INSP MSC 906,910	395,637	52,755	565,270
033 04	TEMP HELP (907)	0	2,721	36,370
063 00	STATUTORY-EXEMPT	0	0	43,392
063 01	BD/COMMSN (901,920)	2,887	0	1,300
083 00	OVERTIME	1,000	0	19,789
<u>TOTAL</u>	SALARIES AND WAGES	<b>843,454</b>	<b>55,476</b>	<b>958,791</b>

The CSAC/DCA had budgeted \$395,637 for inspector costs, which sounds absurd. For their YTD (year-to-date) figure, it ended up being \$565,270. What is that about?

	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
305 00	MGMT/TRANS FEE-I/S	0	0	925
<u>TOTAL</u>	TRAVEL: IN-STATE	<b>282,772</b>	<b>28,373</b>	<b>284,445</b>

CSAC/DCA budgeted \$282,772 for in-state travel. They ended up spending \$284,445. This is not out-of-state travel we are talking about here. This is in-state travel. How on Earth did they manage to spend over \$280,000 on in-state travel... *and why was it budgeted that high in the first place?*

TRAVEL: IN-STATE				
291 00	TRAVEL: IN-STATE	282,772	0	0
292 00	PER DIEM-I/S	0	27,460	78,974
294 00	COMMERCIAL AIR-I/S	0	0	30,596
296 00	PRIVATE CAR-I/S	0	0	161,544
297 00	RENTAL CAR-I/S	0	913	11,927
301 00	TAXI & SHUTTLE SERV-	0	0	479

They spent nearly \$80,000 on per diems for the inspectors & officials. \$161,544 for **private** car expenses? \$30,596 for airplane flights? Nearly \$12,000 on rental cars? Let's breakdown why this spending looks absurd.

Times were still good for combat sports business in California in 2009. Plenty of events were happening. You have trained inspectors all over the state available in major cities to work. There's no reason why there should be any sort of elevated spending costs when it comes to travel. Unless everyone is riding around in Cadillac Escalades from gig to gig, this data doesn't sound very kosher on the surface.

Let's use the data from this budget for a theoretical example of inspector costs. You have \$565,270 in inspector costs. You have \$284,445 for in-state travel costs. That's \$849,715. Let's say that California, during that FY, had 200 shows.  $\$849,715 / 200 \text{ shows} = \$4,248$  per show on average for inspector costs.

The political argument made at the June 4th, 2012 San Diego hearing is that we just have too many inspectors per show. CSAC Chairman John Frierson was wondering why there were 6 or 7 inspectors per show, so let's go to a "only 3 inspector" policy per show. That policy will prove to be misguided over the course of time. The problem isn't the number of inspectors per show. I'll explain.

\$4,248 per show for inspectors in 2009. Let's say some shows have 6 inspectors. That means \$708 a head. On the surface, doesn't sound like much, right? Well, not every show has 6 inspectors. We've heard plenty of stories about smaller boxing & MMA shows where some shows have 2-to-4 inspectors. Let's split the difference and use 3 inspectors per show on average. Suddenly, the \$708 a head figure jumps up to \$1,416 a head.

You might be wondering, "*Well, what's the big deal about \$1,416 an inspector per show?*"

There are some important points that need to be made about the inspector costs.

1. Are local inspectors getting the bookings for shows or is it primarily out-of-town inspectors from Sacramento?
2. Are the inspectors who don't have day jobs working for the state Government getting jobbed over on gigs that are getting directed towards inspectors who are drawing a salary from state Government **plus** some plum pay from their inspector assignments?

The reason these two questions are important is because it gives you a clearer answer about why the in-state travel costs are so high. If you have officials from Sacramento flying all over the place to go to shows as opposed to regional inspectors who could do the job just as efficiently but at a much lower cost, why is DCA allowing such a jacked-up in-state travel baseline on the CSAC budget in the first place?

The second question is an important one as well. There are inspectors & workers for the commission who work in the private sector. If they are getting passed over in favor of workers in Sacramento on gigs due to politics, how is that not emblematic of a broken management system?

Even with data that isn't entirely detailed, you can clearly see why the overhead costs for inspectors are high. The mistake Chairman Frierson and others on the CSAC are making about limiting the number of inspectors per show is that it's not about the number of inspectors — it's about which inspectors are getting the plum assignments and who's not. Furthermore, the 'only 3 inspector' policy will eventually backfire on the commission. Having Chairman Frierson suggest that referees help out with hand-wrapping duties and that there should only be 3 inspectors per show unless it's a show with a big title fight is asking for trouble. Security is a problem. Drug testing is an issue. Hand wrapping is an issue. Having inspectors who can handle the medical forms and paperwork when fighters have to go to the hospital is critical.

Did I say paperwork? I did. As of June of 2012, inspectors are still lugging around suitcases with paperwork. The record-keeping and record-filling process is not entirely computerized for the inspectors.

So, as you see on paper, there already were signs of mismanagement & budget problems at the DCA/CSAC.

Our point: The reason we wanted to go back and take a look at the budget data in 2009 is that it gives you a good sense of the environment in which George Dodd came in as Executive Director of the CSAC. The power vacuum after Armando Garcia left created a mess, especially with the way that Dean Lohuis was jettisoned. He ended up getting a legal settlement.

We wanted to display the 2009 budget data to you as our baseline of what budget numbers we are comparing when we are tossing numbers around from the Dodd budgets. This will allow you to see the alleged spikes & cuts (on paper).

### **Government George as Executive Director**

In 2010, the Department of Consumer Affairs announced that they had selected George Dodd, from Washington state, to be their new Executive Director. At the time of the selection, they weren't afraid to own the fact that they had appointed him to the position. [Here was their public statement](#) on February 4th, 2010:

“The Athletic Commission will continue to make great progress under the direction of its new executive officer, George Dodd,” said DCA Director Brian Stiger. “His background and his leadership skills will be of immense value to the Commission as boxing and mixed martial arts continue to grow in popularity and attendance in California.”

Two and a half years later, there's a political mutiny. Is it fair for those in DCA & the CSAC to dump on Dodd for bad budgeting?

Let's quickly refresh your memory on what was on the 2009 spreadsheet.

- 2009 budgeted civil service – perm costs: \$443,930, reported expenditures: \$292,670.
- 2009 budgeted inspector costs: \$395,637, reported expenditures: \$565,270
- 2009 budgeted in-state travel costs: \$282,772, reported expenditures: \$284,445

Let's take a look at the budgeting set up from 2010 & 2011, in that respective order.



	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
<b>PERSONAL SERVICES</b>				
<b>SALARIES AND WAGES</b>				
003 00	CIVIL SERVICE-PERM	327,112	18,763	177,139
033 02	ATH INSP MSC 906,910	375,637	40,461	483,391
033 04	TEMP HELP (907)	0	2,230	24,952
063 00	STATUTORY-EXEMPT	71,634	6,448	70,768
063 01	BD/COMMSN (901,920)	2,887	0	1,200
083 00	OVERTIME	0	0	2,261
<b>TOTAL</b>	<b>SALARIES AND WAGES</b>	<b>777,270</b>	<b>67,901</b>	<b>759,711</b>

2010 budgeted civil service costs: \$327,112, claimed \$177,139 spent. Budgeted inspector costs: \$375,637. claimed \$483,391 spent.

	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
305 01	CALATERS SERVICE FEE	0	0	6
<b>TOTAL</b>	<b>TRAVEL: IN-STATE</b>	<b>291,988</b>	<b>29,840</b>	<b>237,101</b>

2010 budgeted in-state travel costs: \$291,988, reported expenditures: \$237,101. Compared to 2009, the amount budgeted slightly increased but less was spent (on paper) ... therefore it looks good to the naked eye, right?

<b>TRAVEL: IN-STATE</b>				
291 00	TRAVEL: IN-STATE	291,988	0	0
292 00	PER DIEM-I/S	0	6,935	56,712
293 00	VEHICLE, GS-I/S	0	0	12
294 00	COMMERCIAL AIR-I/S	0	4,097	40,421
296 00	PRIVATE CAR-I/S	0	17,156	130,578
297 00	RENTAL CAR-I/S	0	1,607	8,189
301 00	TAXI & SHUTTLE SERV-	0	0	493
305 00	MGMT/TRANS FEE-I/S	0	45	690

In 2009, they claimed nearly \$80,000 per diem for inspectors. In 2010, \$56,712.

In 2009, they claimed \$161,544 for private car expenses. In 2010, \$130,578.

In 2009, they claimed \$30,596 for airplane flights. In 2010, \$40,421.

In 2009, they claimed nearly \$12,000 on rental cars. In 2010, \$8,189.

I'm glad they were fiscally responsible on the car rentals and private car expenses, aren't you? Not.

Oh, wait... there's that air fare thing... so, **who** was taking flights all over the state? Let's take a look at the 2011 numbers and compare them to the '09 and '10 budgets.

	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
<b>SONAL SERVICES</b>				
<b>SALARIES AND WAGES</b>				
003 00	CIVIL SERVICE-PERM	342,729	0	284,050
033 02	ATH INSP MSC 906,910	729,637	34,809	394,690
033 04	TEMP HELP (907)	0	3,221	51,314
063 00	STATUTORY-EXEMPT	89,820	0	83,944
063 01	BD/COMMSN (901,920)	2,887	300	3,700
083 00	OVERTIME	0	1,427	9,050
<b>TOTAL</b>	<b>SALARIES AND WAGES</b>	<b>1,165,073</b>	<b>39,757</b>	<b>826,748</b>

In 2011, they budgeted \$342,729 for civil service and claimed \$284,050 spent.

In 2011, they budgeted \$729,637 for inspectors and claimed \$394,690 spent.

In 2011, they budgeted \$0 for temp help and claimed \$51,314 spent.

If you're looking for an example of inspector & in-state travel costs, [read this Sherdog/ESPN article on March 5th, 2011](#) about the CSAC sending 18 officials to a Bellator MMA show at Tachi Palace Casino in Lemoore, California.

At 3 p.m., two hours before the first fight, the CSAC team of 18 begins reporting for duty. Note that this ratio means the CSAC has more than one official on hand for every fighter competing that night. This team is composed of the lead inspector, seven other inspectors — all dressed in red neckties and black suits, which is reportedly helpful in camouflaging blood — three referees, three judges, two timekeepers and two physicians.

	DESCRIPTION	BUDGET	CURR. MONTH	YR-TO-DATE
<b>TOTAL</b>	<b>TRAVEL: IN-STATE</b>	<b>403,788</b>	<b>22,783</b>	<b>201,282</b>

In 2011, they budgeted \$403,788 for in-state travel and claimed \$201,282. See, they only spent 50% of what was budgeted, Aren't they thrifty? So, how was the money spent on in-state travel?

<b>TRAVEL: IN-STATE</b>				
291 00	TRAVEL: IN-STATE	403,788	0	0
292 00	PER DIEM-I/S	0	21,511	49,645
293 00	VEHICLE, GS-I/S	0	926	7,384
294 00	COMMERCIAL AIR-I/S	0	0	52,835
296 00	PRIVATE CAR-I/S	0	0	84,685
297 00	RENTAL CAR-I/S	0	346	6,139
301 00	TAXI & SHUTTLE SERV-	0	0	134
305 00	MGMT/TRANS FEE-I/S	0	0	306
305 01	CALATERS SERVICE FEE	0	0	153

In 2011, they claimed \$49,645 on per diem costs for inspectors. In 2011, they claimed \$52,835 on air fare costs. They claimed \$84,685 on private car expenses and \$6,139 on rental car expenses.

Notice a trend on the in-state travel expenses from year-to-year? I think you do. The trend here sticks out like a sore thumb — for anything involving the office or day-to-day in-Sacramento duties, there seems to be some underestimating of the yearly costs to maintain daily business. This pattern is different than the way the budgeting was done for inspectors & in-state travel costs. We'll explain in a minute.

**The path to insolvency letter**

At the June 4th San Diego CSAC hearing, the item that clearly had everyone rattled was the insolvency letter that the DCA sent to the commissioners. George Dodd was feeling the heat. Linda Forster, who is a political ally of John Frierson, got appointed to the board by Governor Jerry Brown. She was not happy about this surprise getting dumped in their laps.

Consider the following: The commissioners were presented with a generic one-page budget layout at their April 9th hearing in Sacramento claiming that finances were going to be tight but that they would make it through the fiscal year. So, what happened between the April 9th hearing and the June 4th hearing? That's what the commissioners wanted to know. To give you a sense of what limited data the commissioners were dealing with, take a look at the generic budget sheet they were presented with. [Go to page 15 of the PDF file.](#)

Months Remaining: 2				
FY 2011/12				
BUDGET ALLOTMENT	EXPENDITURES AS OF 4/30/2012	PERCENT OF BUDGET SPENT	PROJECTIONS TO YEAR END	UNENCUMBERED BALANCE
377,789	254,455	67.4%	315,455	62,334
668,237	345,364	51.7%	425,864	242,373
0	34,985	0.0%	42,985	(42,985)
88,297	73,467	83.2%	88,467	(170)
2,887	4,700	162.8%	5,500	(2,613)
0	7,013	0.0%	7,013	(7,013)
275,248	157,139	57.1%	194,810	80,438
(14,728)	0	0.0%	0	(14,728)
<b>1,397,730</b>	<b>877,123</b>	<b>62.8%</b>	<b>1,080,094</b>	<b>317,636</b>

For their FY budget with two months left, look at how the math is presented. They are told for 2012 to allocate \$377,789 for civil service, a whopping \$668,237 for inspectors, and \$275,248 for staff benefits. For in-state travel, they are told to allocate \$397,098. They're told that \$0 is budgeted for consulting (C/P) services external and yet \$129,901 is listed as an expense.

<b>Postage</b>	<b>9,098</b>	<b>1,541</b>
<b>Travel In State</b>	<b>397,098</b>	<b>159,061</b>
<b>Training</b>	<b>5,472</b>	<b>1,049</b>
<b>Facilities Operations</b>	<b>72,211</b>	<b>61,535</b>
<b>C/P Services - Internal</b>	<b>2,360</b>	<b>3,750</b>
<b>C/P Services - External</b>	<b>0</b>	<b>129,901</b>

Here is the key point to focus on. Because the data is so limited, it's hard for the commissioners to raise a stink about what's going on. Why? Look at how high the baselines are for allocation in the categories. If you spend a lot of money but allocate a lot more as your baseline, it makes the % amounts of what you spent look reasonable or small when they're anything but reasonable.

However, wasn't the spending unreasonable in the past three years (2009, 2010, and 2011 ) that we reviewed? Yes, it was completely unsustainable and political in nature. So, what happened? Why did the DCA send an insolvency letter to the CSAC? The revenues plummeted. Over the past several years, revenues were in the \$1.7M to \$1.9M range. Revenue have now dropped to the \$1.2M to \$1.3M range. With spending baselines increasing rapidly and revenues declining, the game was up.

This is why there is trouble brewing.

**Summarizing the numbers in an easy-to-understand format**

We apologize for being detailed & monotonous with the breakdown of figures from the past four years here. However, we had to present the data in this fashion in order to lay out a summary for our analysis. We are relying on the data that is publicly available. Let's break down the trends in three categories from 2009 through 2012 to see the baseline & spending lines.

**Civil Service (budgeted):** \$443,930 -> \$327,112 -> \$342,729 -> \$377,789

**Civil Service (spent/projected):** \$292,670 -> \$177,139 -> \$284,050 -> \$315,455

**Inspectors (budgeted):** \$395,637 -> \$375,637 -> \$729,637 -> \$668,237

**Inspectors (spent/projected):** \$565,270 -> \$483,391 -> \$394,690 -> \$425,864

**In-state travel (budgeted):** \$282,772 -> \$291,988 -> \$403,788 -> \$397,098

**In-state travel (spent/projected):** \$284,445 -> \$237,101 -> \$201,282 -> \$212,081

If the trend is your friend, there are glaring concerns here.

- Look at the spike of how much has been spent on civil service. A 78% spike in two years.
- Second, the baseline number budgeted for inspectors exploded. You're talking about a 94% increase from 2010 to 2011 for allocation. What makes this so curious is during that period where you had a 94% spike in allocation, you supposedly had a 22% cut in what was spent? That makes zero sense. Where did the money go and why was it budgeted to such a degree?
- Look at the huge spike for in-state travel. From 2010 to 2011, the spike in allocation was 38%... and yet it is claimed that there was a cut of, what, 16% or so on the actual spending? Again, it doesn't add up. Where did the money go?

Earlier in our report, we used a theoretical example with the 2009 budget data to show the cost of inspectors per show. Here's a recap:

*Let's use the data from this budget for a theoretical example of inspector costs. You have \$565,270 in inspector costs. You have \$284,445 for in-state travel costs. That's \$849,715. Let's say that California, during that FY, had 200 shows.  $\$849,715 / 200 \text{ shows} = \$4,248 \text{ per show on average for inspector costs.}$*

If 2009 was \$4,248 per show, what about 2010 and 2011?

- For 2010:  $\$483,391 \text{ (inspectors)} + \$237,101 \text{ (in-state travel)} = \$720,492 / 200 \text{ shows} = \$3,602/\text{show.}$
- For 2011:  $\$394,690 \text{ (inspectors)} + \$201,282 \text{ (in-state travel)} = \$595,972 / 200 \text{ shows} = \$2,979/\text{show.}$

You see why this makes no sense? Claims of cuts around 22% and 16% are being made per year while the budgeted amount from 2010 to 2011 spiked by 94%. **What happened?**

Why didn't we compare 2012 figures here? First, we won't see a FY budget sheet until the agenda document is released on August 8th. Second, the amount budgeted from 2011 to 2012 only saw slight decreases in spending... but yet the DCA fired off an insolvency letter. They fired off that letter because revenues plummeted from the \$1.7M-\$1.8M range to \$1.2M-\$1.3M range.

Think about that for a second. What was budgeted for in-state travel & inspectors rapidly increased while revenues were staying the same. The only reason we're focusing on the numbers now is because the revenues tanked, so the budget maneuvers got exposed here. The game is up.

Four questions that must be asked:

- Where did the money go that was originally budgeted?
- Which inspectors got the highest-paying bout assignments?
- How many shows did Executive Director George Dodd and staff travel to?
- Who was it at the DCA that either approved or created the figures for budget allocation?

### **Who's to blame?**

Without having subpoena power, it's impossible to know what's been said in DCA/CSAC memos in regards to the budget chaos over the last several years with the CSAC. All we can do is make educated guesses based on the data presented.

There's no question that Executive Director George Dodd spiked the allocation of budget resources over the 2011 & 2012 time period for inspectors. It's really hard for him, in our opinion, to blame inspector costs because inspectors are 'sitting in traffic', as he claimed at the San Diego hearing. If traffic was to blame for inspector costs, it would effect hourly/overtime salary costs and not the in-state travel costs as much.

The pressure is really on Dodd. At the San Diego hearing, he presented an 'expenditure planning' sheet that looks... unrealistic... given how the budget has been budgeted for years now. The planning sheet claims that inspector costs would be capped at \$150,000. It claims in-state travel costs would be capped at \$100,000. Two years ago, he budgeted over \$400,000 for in-state travel costs. Put it this way – if revenues have dropped from \$1.8M to \$1.2M, that means revenues are 2/3rds of what they originally were. And yet, as part of the planning sheet, Dodd is going to cut in-state travel to 1/4th of what it was two years ago?

If anything, the planning sheet makes Dodd look worse than he already did in the first place. It's a tacit admission that the budgeting process for determine baselines was faulty. Where did the budgeted money for in-state travel go?

- Why does DCA & Exec. Director Dodd believe that these spending caps will be honored (given the past baseline budgeting numbers over the last four years)?
- If Exec. Director Dodd & DCA can apply spending caps to inspector & in-state travel costs, is this a tacit admission of overspending on purpose, on accident, or is it planning for a dramatic cut in services?
- How will the 'only 3 inspector policy' impact the ability to ensure healthy & safety of fighters at the small & mid-sized fighting events?

Either the proposed cuts are entirely bogus in terms of possible achievement or the new baselines are realistic and heads should roll because of the budgeted baselines from the past four years. Someone should be fired at DCA.

What about CSAC Chairman John Frierson taking the political fall here? Not going to happen. It's hard for DCA & Exec. Director Dodd to plausibly shift the blame of this fiscal crisis on the shoulders of Mr. Frierson. He is too busy with his other political duties to be monitoring what's happening. Besides, as we stated earlier in the report, it's hard to say how much the DCA is revealing to the commissioners in regards to decision making. The CSAC is controlled by the DCA. The DCA makes the recommendations and calls the shots, especially when it comes to the Executive Director's slot. Ask Pat Russell or Ron Arnold, two men who wanted to become the Executive Director in order to clean house. Russell was not exactly welcomed as a candidate by the DCA, as stated in agendas during the time that the DCA was looking for a new Executive Director.

Brian Stiger at DCA, who was appointed to Consumer Affairs by Arnold Schwarzenegger, brought George Dodd on board as Executive Director. It would be interesting to see him under the microscope in regards to what has happened. The same for deputy AG Karen Chappelle, [who's no stranger to CSAC controversy](#).

The bottom line is that house does need to be cleaned at the CSAC **and** at the DCA in regards to how the budgeting process turned out so badly for the CSAC. Somebody benefited handsomely from what happened. It's time to investigate who benefited the most and for those investigation results to be publicly disclosed as opposed to being swept under the rug.

The CSAC used to be a self-sustaining operation. Whatever revenues they brought in, that's what they were able to spend for budgeting. Once the budgeting process became attached to the state budgeting process, that opened the door for what we are witnessing today in terms of the fiscal math at work.

### **What now for combat sports in California?**

The picture is very clouded right now. If you want an audio summary of what's going on, [start at the 30 minute mark](#) and you can listen to me & Mauro Ranallo discuss the issue. Revenue streams are drying up for California. Big fights are going to Nevada, Texas, or overseas. The CSAC has delegated their authority over amateur boxing to USA Boxing. They've delegated authority over amateur MMA to Jeremy Lappen's CAMO. [As adroitly noted by one of our commenters yesterday](#), the CSAC volunteered to let others do their work and let potential revenue slip away. There are tax issues in regards to fighters & promoters not wanting to come to California when the state economy is doing lousy. You have the PPV tax and then you have a tax if you are doing fights in Los Angeles. None of this should take away from the fact that you have tons of boxers & MMA fighters in the state. Talent is not an issue here. Finances are. California continues to rank as one of the worst American states to do business in. Outside of Silicon Valley and Hollywood, lots of states businesses are struggling to stay alive, let alone thrive. There are so many key financial issues at stake.

If you're a fight promoter, California is a mixed proposition right now for hosting big fights. There's always the safety of casinos to rely upon in Nevada & New Jersey if promoters are looking to cushion their risk for promoting a fight. That's not to say that venues like the Staples Center still won't pay generous site fees. However, fewer and fewer venues are able to cut the kind of deals that would normally attract big fights. UFC decided to book Cain Velasquez vs. Junior dos Santos in Toronto as opposed to Anaheim at the Pond. That's a blow to the CSAC.

What would happen if the CSAC had to be temporarily shut down due to financial problems? There are two possible outcomes — and both of them are ugly. The first possibility is that there would be no more combat sports shows in the State (only on Indian land). That's not good. The other scenario, which may in fact be worse than having no combat sports at all, is the DCA taking over regulation. Why could this be problematic? They would only be held accountable to Governor Jerry Brown. There's a good chance that there would not be any sort of transparency whatsoever. Furthermore, the regulatory process for combat sports in California would be further politicized. Political battles that are already simmering would further escalate. Nobody should want to see this scenario happen in California.

Don't believe me? Believe your eyes [when you read the June 26th, 2012 CSAC agenda](#) where the DCA/CSAC will have a closed session to determine George Dodd's fate.

### **Why 'brian' the commenter got our attention**

Let's highlight his comment on our site one more time. [Take it away:](#)

*Do some more research, the commission has gone through a sunset before. Events still happen. CSAC is a joke, management sucks, George Dodd is a joke that spent all the commissions money traveling to shows, to try and be cool. I watched him yell at athletes in the cage, and blame inspectors at the commission meeting for the budget problems. Governor Brown needs to clean CSAC house, get ride of all management they are all shady and involved in some sort of investigation. If John Frierson is so politically connected maybe he could take an hour of his time and turn CSAC back into a regulatory body, for the health and safety of athletes!! I mean after all just because CSAC would be doing what their job is, doesn't mean Mr. Frierson still couldn't receive gifts.*

There was something curious about this comment and who left this comment on our site. It turns out that we have good reason to be interested in what he has to say.



ISP: California Department of Consumer Affairs  
Organization: California Department of Consumer Affairs  
Services: [Confirmed proxy server](#)  
Type: [Corporate](#)  
Assignment: [Static IP](#)  
Blacklist: [Blacklist Check](#)

We wanted to make sure our readers know that someone at the DCA thought enough about our work to leave a comment on our site.

So, thank you Brian for your kind advice. We took it to heart. You're welcome.