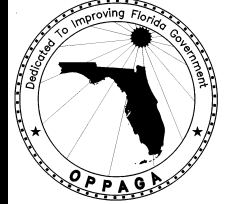




## Office of Program Policy Analysis And Government Accountability



John W. Turcotte, Director

January 9, 1997

### Review of the Florida Sports Foundation

#### Report Abstract

- The Foundation has not yet fully funded its operations from private sector support, but plans to reach this support level in two years.
- The Foundation has achieved 26 of its 30 short-term objectives for fiscal year 1995-96. It is developing measures to evaluate its long-term performance in achieving intended outcomes.
- The State may be providing financial support to major sport facilities' construction based on overstated economic impact projections.

#### Purpose of Review

The Joint Legislative Auditing Committee directed OPPAGA to review the Florida Sports Foundation in response to a request from the House Committee on Tourism and Cultural Affairs. Our objectives included reviewing the Foundation's progress in obtaining private sector funding support, evaluating its performance in achieving planned objectives and establishing performance measures, and examining state financial support for constructing major sports facilities.

#### Background

The Florida Sports Foundation was established as a direct support organization of the Department of Commerce in July 1992. Following the abolishment of the Department of Commerce on June 30, 1996, the Foundation was transferred to the Office of Tourism, Trade and Economic Development in the Executive Office of the Governor. It operates as a not-for-profit organization headed by a board of directors.<sup>1</sup> The Foundation's President handles its day-to-day operations. The Foundation has four full-time equivalent positions.

The Foundation's mission is to retain and attract strong sports-related businesses; to act as a bridge between public and private interests related to sports in Florida; to be a strong representative of sports interests in Florida; and to help establish the most positive in-state and out-of-state image possible for professional, amateur, and recreational sports opportunities in Florida.

The Foundation performs a variety of activities to accomplish its mission, including:

- Developing a number of publications (sports guides) which are used to promote various recreational sports opportunities available in Florida;
- Processing major sports facilities' certification applications to receive state funding. A certified major sports facility receives \$2 million per year for 30 years from the state; and

<sup>1</sup> By law, the board of directors must consist of 15 members appointed by the Governor and up to 15 members appointed by the existing board.

- Administering a sports grants program funded from professional sports license plates sales.

Sports grants help support sports events projected to produce a positive, net economic impact on Florida's economy. Two types of sports grants are awarded, major trust fund grants and regional trust fund grants. A major trust fund grant is awarded to help attract major sports events with projected net economic impacts of \$50 million or more. During fiscal year 1995-96, the Foundation awarded one major trust fund grant of approximately \$205,000 to the 1995 Florida Super Bowl Host Committee. A regional trust fund grant is awarded to help local public entities attract professional, amateur, and recreational sports events with projected net economic impacts of less than \$50 million. During fiscal year 1995-96, the Foundation approved regional trust fund grants totaling \$21,000. Sports grants are funded from professional sports license plate sales. The Foundation received approximately \$735,000 from license plate sales in fiscal year 1995-96.<sup>2</sup>

## Findings

**The Foundation has not yet fully funded its operations from private sector support, but plans to reach this support level in two years.**

The Foundation's current, two-year goal is to completely fund its operations from private sector sources, such as individual and corporate membership fees, and conference registration fees. In fiscal year 1995-96, the Foundation had to use license plate revenue to fund approximately 59% of its operating expenses. According to the Foundation's Executive Director, the Foundation's operating expenses totaled approximately \$246,000. Although the Foundation is allowed to use revenues from professional sports license plate sales to fund its operations, this practice reduces the amount available for regional sports grants. Exhibit 1 shows the Foundation's sources of revenue for fiscal year 1995-96.

<sup>2</sup> This amount is net of Department of Highway Safety and Motor Vehicle charges and Comptroller trust fund charges.

The Foundation's President reported the Foundation will engage the services of a professional fund raiser to help achieve its two-year goal. If successful, the Foundation will have more private sector support to fund its operations.

### Exhibit 1 Florida Sports Foundation Revenues

Revenue Source	Amount
Membership Fees	\$ 13,850
Conference Fees	11,181
License Tags	735,349 <sup>1</sup>
Publication Revenue	24,213
Other	1,192
<b>Total</b>	<b>\$785,785</b>

<sup>1</sup>Fifty-five percent of these revenues are restricted for major sports grants. The remaining amount may be used by the Foundation to promote Florida sports industries, distribute royalty fees to professional sports teams, distribute funds to team charities, and support the regional sports grant program.

Source: Information provided by the Florida Sports Foundation's President and Foundation records.

**The Foundation has achieved 26 of its 30 mission-related, short-term objectives and is developing measures for evaluating its performance in achieving long-term outcomes.**

An important initial step in implementing an effective program is the development of mission-related goals and objectives. For fiscal year 1995-96, the Foundation developed 30 objectives that were reasonably consistent with its mission and achieved 26 objectives. Examples of objectives achieved include generating over \$800,000 through sports license plate sales, publishing four sports and recreation guides, and acquiring at least one national amateur sports event. The objectives not achieved were obtaining at least one new corporate member, increasing individual memberships to 950 (it obtained only 54), increasing entrepreneurial revenues by \$30,000 (it obtained \$1,134), and hosting a legislative sports summit (event was delayed).

However, the objectives achieved represent short-term, milestone events and work products rather than outcomes, which represent the results or quality of its programs and services. The Foundation is developing

outcome measures for assessing progress towards its mission of developing a strong sports-industry base, providing effective assistance programs to local communities to help them attract national and regional sports events, and contributing to the development of good citizenship among young people. The Legislature needs outcome information to determine whether Florida is benefiting from Foundation programs and services.

## Policy Issue

**The state may be providing financial support to sports facilities' construction projects based on overstated economic impact projections.**

Florida law presently authorizes eight major sports facilities to receive state financial assistance based on their meeting specified economic impact criteria. Qualifying projects receive state financial support of \$2 million annually for 30 years. To qualify for state financial assistance, a local public entity must pay 50% of the project's construction costs, and the project must have an annual paid attendance of 300,000 and sales tax revenue of \$2 million.

However, this support program may not be revenue neutral in practice because facilities receiving state financial assistance have not included "substitution effects" in their economic impact projections. Much of the spending on professional sports is spending that would otherwise have gone to other existing in-state leisure and entertainment activities.<sup>3</sup> As a result, the sports facility may not generate an actual increase in sales tax revenue. Because Florida residents may be attending professional sports events rather than other existing leisure activities in the area, the sports facility's economic impact may be overstated.

If the Legislature increases the number of major sports facilities that can qualify for state financial assistance, it should require proposals for such assistance to consider substitution effects when projecting economic impact. This requirement would provide the Legislature with a more realistic

<sup>3</sup> Church, F. and Byrne, B., "Public vs. Private Financing of Sports Stadiums," *The Fiscal Letter*, Vol. XVII, No. 5, National Conference of State Legislatures, Denver, CO., September – October 1995, pages 7-8.

perspective on a project's potential economic impact and help it make more informed decisions.

Foundation officials note that Florida has obtained a proportionate share of major sports franchises compared to other states. Thus, it may be more difficult to attract additional major sports franchises to the state in the future. Exhibit 2 shows the distribution of major sports franchises and population among Florida and other states.

### Exhibit 2 Florida Has Attracted a Reasonable Share of Major Sports Franchises<sup>1</sup>

States	Major Sports Franchises <sup>2</sup>	Population in Millions
California	15	31.6
<i>Florida</i>	9	14.2
New York	9	18.1
Texas	8	18.7
Pennsylvania	7	12.1
Illinois	5	11.8
Ohio	5	11.2
Other States	48	145.1
<b>TOTAL</b>	<b>106</b>	<b>262.8</b>

<sup>1</sup>Includes sports teams franchised by Major League Baseball, the National Football League, the National Basketball Association, and the National Hockey League.

<sup>2</sup>Total franchises include only U.S. franchises. Canada has 10 major sports franchises and a population of 28.5 million.

Source: OPPAGA analysis; population data provided by the Division of Demographic and Economic Research of the Joint Legislative Management Committee and the International Population Center, U.S. Census Bureau.

## Recommendations

We recommend the Florida Sports Foundation complete its efforts to develop outcome measures.

We recommend the Legislature review the Foundation's accomplishments after two years and then decide its future based on an evaluation of the continuing need for its services and its progress toward achieving intended outcomes.

If the Legislature decides to increase the number of major sports facilities that can qualify for state financial assistance, it should require proposals for such assistance to contain more comprehensive information on the facilities' economic impact, including consideration of substitution effects. This will provide a more realistic perspective on a project's potential economic impact and help the Legislature make more informed funding decisions.

## Agency Response

State of Florida  
Office of the Governor

December 18, 1996

Mr. John W. Turcotte, Director  
Office of Program Policy Analysis and  
Government Accountability  
Post Office Box 1735  
Tallahassee, FL 32302

Dear Mr. Turcotte:

Thank you for the opportunity to review your preliminary report containing findings and recommendations on the Florida Sports Foundation. In general, your report seems thorough, and we concur in your recommendations.

One part of your analysis could benefit from a clarification, however. Your "Policy Issue" states: "The state may be

providing financial support to sports facilities' construction projects based on overstated economic impact projections." The report goes on to state that this program "may not be revenue neutral in practice because facilities receiving state financial assistance have not included 'substitution effects' in their economic impact projections." By characterizing impact projections as "overstated" and asserting that facilities have failed to consider substitution effects in their analyses, your report implies that facility applications—as well as government agency review of those applications—have been less than valid and complete.

We concur with your recommendation that the Legislature should consider requiring comprehensive impact statements should this program be continued and expanded. However, we would point out that Florida law (s.288.1162(4), F.S.) does not require that applicants submit an economic impact study at all, much less show that the funding would be revenue neutral. As regards economic impact, the law merely requires evidence of expected paid attendance and that expected revenues will exceed \$2 million. This, we must assume, was a conscious policy decision on the part of the Legislature. Facilities applying for grants under those programs and agencies charged with reviewing those applications have carefully followed the standards set by the Legislature.

Thanks again for the opportunity to review the report. If you have any questions, please give me a call at 487-2568.

Sincerely,

/s/ Dennis W. Harmon  
Director  
Office of Tourism, Trade and Economic Development

cc: Larry Pendleton, Florida Sports Foundation  
Lisa Echeverri, Florida Department of Revenue

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023 or 800/531-2477), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302). Web site: <http://www.state.fl.us/oppaga/>

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