

OVERVIEW

THE AUDITOR
STATE OF HAWAII

A Review of Sports Promotion Activities of the Department of Business, Economic Development and Tourism

Summary

Act 149 of the 1995 legislative session directed the Auditor to conduct a review of sports promotion activities performed by the Department of Business, Economic Development, and Tourism (DBEDT) to determine: (1) whether the transfer of some or all of those activities to the Stadium Authority, another existing agency, or a separate sports authority would promote efficiency or cost effectiveness; (2) what measures will be necessary to avoid commingling of funds between the stadium special fund and the general fund, and (3) how the general fund would be affected by such a transfer. This report responds to the request of Act 149.

Sports is a big dollar industry—estimated at \$50 billion worldwide. The industry is a significant vehicle for economic growth and diversity of cities, regions, states and even nations. Cities and states realize that hosting sporting events will boost the local economy, create additional jobs, attract new corporate investments and enhance their image as a host site. Fierce competition exists between states and municipalities to host major sporting events. Presently, DBEDT conducts sports promotion activities for the State, excluding the University of Hawaii. The Hawaii Visitors Bureau also conducts sports promotion activities through a contract with the department

We looked at four alternative sport promotion strategies for the State. The first alternative considered was the transfer of sports promotion activities to the Stadium Authority. The Stadium Authority's main purpose is to operate and maintain Aloha Stadium and its related facilities for the benefit of the community. This differs from the predominantly economic and tourist industry orientation of DBEDT. In addition, for the first time Act 149 authorizes the Stadium Authority to promote the stadium and its related facilities. The Stadium Authority has not yet developed a strategic plan for promoting the stadium. As a result, we believe that the transfer of sports promotion activities to the Stadium Authority at this time is not appropriate. The Stadium Authority should continue its focus on Aloha Stadium and be given time to develop its promotional program.

Act 149 also requested that we examine the issue of commingling special and general funds if sports promotions were transferred to the Stadium Authority. We conclude that it should not be a problem. A separate account would need to be established to account for the general funds and sufficient control mechanisms can be implemented to ensure separation of funding.

The second alternative considered was the transfer of sports promotion activities to another state agency. We found that sports promotional activities do not fit within

the functions of other principal state agencies. It would be inappropriate to effect such a transfer.

The third alternative considered was the establishment of a separate sports authority. We reviewed information from previous studies and other sports commissions and found that several issues must be addressed before a decision is made on whether to establish a sports authority. Some issues that need to be considered are: 1) the type of organization to create - an authority or a commission; 2) a public or private organization; 3) a county or statewide organization; 4) the governing and staffing structure of the organization; and 5) the source of funding of the organization. We conclude that the establishment of a separate sports authority would be premature at this time.

The fourth alternative considered was the status quo - everything remains the same. After reviewing the previous three alternatives, we concluded that the present situation of the Department of Business, Economic Development and Tourism and the Hawaii Visitors Bureau promoting sports events for Hawaii is appropriate and that no change was warranted at this time.

Recommendations and Response

We recommended that the Stadium Authority be allowed to develop its promotional capabilities before considering any additional use of the authority to promote sports generally in Hawaii. We also recommended that Hawaii's sports promotion activities remain with the Department of Business, Economic Development and Tourism and the Hawaii Visitors Bureau.

We recommended that, should the creation of a sports authority or commission be considered again, the issues to be integrally considered include the organization type, funding, scope, and logistics. Also, the Stadium Authority could then be re-evaluated for the appropriateness of having a facility-based organization assume promotion for sports events.

The Department of Business, Economic Development, and Tourism concurred with the recommendation to retain the sports promotion activities within the department and the Hawaii Visitors Bureau. In addition, the department will continue to evaluate the sports promotion program in order to upgrade and strengthen its efforts. Also, the department recognizes that the formation of a sports authority or commission will remain an issue for the State and the department will continue to explore this issue.

The Stadium Authority did not respond to the specific recommendations but did clarify specific monetary figures in the draft report. We changed these figures in the final report.

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