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## COMPARISON OF SUBSIDIES OF THE SPORT AND CULTURE INSTITUTIONS BY THE LOCAL GOVERNMENT

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### Abstract

The project reflects justification of the local government subsidy to the organizations dealing with the management of professional sport and professional culture in Brno. The main assumption of this topic is the problem of comparing the subsidy to the professional sport which is represented mostly by the profitable market entities and to the non-profitable cultural institutions which are state-funded institutions established by the respective city (in this case – city of Brno). The article is focused on the organizations with the biggest budget represented by HC Kometa Brno (ice hockey) and FC Zbrojovka Brno (football) in the field of sport and in the cultural field by National Theatre of Brno, Brno City Theatre and Philharmonic Orchestra of Brno.

The fundamental aspect is based on the assumption that the city should provide its inhabitants with the environment supporting them to visit professional sport competitions as well as presentation of professional high culture. So, the crucial problem is the justification of subsidies into professional sport, which was after 1989 transformed mostly into the market good at the expense of professionally run art, which is on the contrary since 90s fully financed by the local self-government (districts or municipalities).

The key data, used for this project, consist of the overall presence, budgets and form of financing. Apart from this, here is a polemic on including both of these sectors in chapters of the public budgets in the framework of public economy.

*Key words:* Sport, Culture, Subsidies, Local Government.

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## Introduction

In recent years we have seen a certain conflict between the cultural sphere and the sphere of professional sports in the city of Brno. During the continuing economic crisis, financial and social uncertainties had met two opinions about the contradictions of support from the city to these, sooner rather than rivalry two areas of human activity. There arose therefore a kind of a contradiction that cannot compare culture and sport at this level. So slowly we get the alignment of the main objectives of this work, which is the very possibility or impossibility of comparison of these two sectors. It means if we can somehow compare the Operation of arts institutions with the operation of professional sports clubs. Therefore focus on the overall functioning of the essence, comparing the economy to the status of non-profit organizations, professional clubs, and overall support material background. A key aspect then is support of top clubs town, whether the effect of this support can be likened to the effect of support for cultural institutions.

In beginning is also absolutely necessary to set out needed limits for this article. Possibility of comparison we will apply on organizations that have a seasonal operation in the city of Brno. So we will focus on the largest and most visited cultural institutions in the city, which are the National Theatre Brno, Brno City Theatre and the Philharmonic Orchestra of Brno, which are state-funded organizations of the city. In sport will be included in this comparison of FC Zbrojovka Brno and HC Kometa Brno, as the two most popular sports clubs. So we are talking about organizations that are directly associated with the city are the city's image as before his own people, and before the other inhabitants of the Czech Republic or abroad. The work will not be included random pop music concerts or sporting unseasonal.

## History of culture and sport facilities

In the historical analysis, we have noticed many similarities, especially in the constant requirements for construction of a new cultural and sports facility, which was the largest increase of population of the city in the twenties and thirties significantly unsatisfactory. At that time were in Brno efforts to build a new theater scene (Brno zítřka, 1939), but also a new football stadium and hockey (Brno zítřka, 1939, Plichta, 1947). The city reached over 300,000 populations and with comparison to similar cities, Brno has not for cultural and sports activities corresponding background. The new infrastructure has started to build up in the postwar years, when the fifties and built football winter stadium and in the sixties large Janáček Theatre, which is still the largest capacity theater in the Czech Republic. However, since these buildings have undergone only minimal modifications and are in very poor condition. Winter stadium even had to be demolished due to the unsuitable condition. Nowadays city has a project of new football stadium a

large indoor arena as well as new concert hall for Brno philharmonic orchestra. But these new facilities are only in a phase of project and city has not enough finance for their realization.

## Sport and culture in view of public economics

Let's now look at the theory of the public sector, as it offers us an economist Yvonne Strecková. The public sector is the part of the national economy, which is financed with public funds, controlled and managed by the public administration; it is decided by public choice and under public inspection (Y. Strecková, 1998). Strecková also has divided state sector into the following sections:

- 1) Block of the social needs
- 2) Block of the human development
- 3) Block of the knowledge and information
- 4) Block of technical infrastructure
- 5) Block of private goods
- 6) Block of existential certainties

In our division into these blocks, culture plays a generally quite clear role, thanks to its function of human cultivation. But the sport as part of physical culture, is very uncertain position, therefore, its position within the public sections of the economy will deal substantially more than is the case for culture. Culture, as well as the area of physical education and sport is primarily contained in a block of the human development. Physical culture here participates in area of education, health and culture. From this follows inclusion of physical education and sport in the chapter of the state budget in the budgetary allocation of the Ministry of Education. Sport is in terms of economic classification is differentiated and its individual parts must be treated in different economic view. Specific areas of physical education, physical recreation and sports and public sector have the characteristics of both the mission, functions, activities and objectives, but it is necessary to specify exactly what part of the sport in question.

Both of our surveyed spheres - culture and physical culture - should therefore fall within the block of human development. However, if we think about the issue in more detail, we find that professional sport (even in the above mentioned conceptual level based on the concept of physical culture) doesn't belong to the block. This we can prove by a more detailed analysis of this block.

The block of the human development also include:

- Education - primarily satisfies the need for education
- Culture - satisfies the need for aesthetic experiences
- Physical culture - meets the need for protection (and development) health
- Health - meets the need for protection (and development) health

Thus can we include sport to the public sector or not?

Theory tells us that the public sector starts where failing traditional market mechanisms ensuring the efficient allocation of resources. Classical market regulation operates on the following assumptions:



- The absence of collective goods
- There are no monopolies
- There are no externalities
- Is secured by the full knowledge
- All markets are complex

In a case, that there is only one condition missing, market regulation fails and the result is disruption of the efficient allocation of resources in the economy ( Novotný, 2011). Sport has a public policy point of interest, not only because it represents the ultimate goal of this policy, but also contributes to the achievement of other objectives, such as promoting healthy lifestyles, social cohesion, development of national feeling or reduce crime and vandalism, and because of this position is sport in public budgets devoted more or less space.

**Professional sport today**

Sport is certainly a very attractive for audience, on the other hand, it also needs the audience – its quality corresponds with all spectators. But the spectator pays for his show, for more or less beautiful "Movement Theater" and also for sort of arousal (as in the areas of culture). From this point of view we can't talk about public utility or public benefit, but the interest of the public ( Hodaň, Hobza, 2006).

Sport occupies in public policy certainly an interesting place, not only because it represents the ultimate goal of this policy, but also contributes to the achievement of other objectives, such as promoting healthy lifestyles, social cohesion, development of national feeling or reduce crime and vandalism, and because of this position is sport in public budgets devoted more or less space (Hobza, Rektorič, 2010). Many governments declare their goal of national and local policies of sport, often these declarations are rather general and objectives are not quantified and therefore they are very difficult to measure, as well as it is difficult to compare the various policies and their implementation at the international level. One of the indicators of the national sports policy, which was measurable, the share of the public budget, which is allocated to sports industry. Here, however, we face a fundamental problem, because although it would be theoretically possible to monitor such data, only few countries systematically carried out this system, as well as there is no uniform method of reporting units Finance, to promote sport stem from public budgets, and every international comparison will be distorted and in the

**Table no 1.** Culture institution

	National Theatre	City Theatre	Brno Philharmonic orchestra
Overall attendance	308 163	311 662	75 884
Overall budget (CZK)	377 133 237	257 483 000	82 317 487
Subsidy from city's budget (CZK)	234 499 000	143 068 000	58 442 000
Self-sufficiency (%)	21,9	36,8	26
Occupancy rate (%)	80	96	70,14

Source: Own work based on *Program rozvoje kultury města Brna a jeho evaluace, 2012.*

analysis of public policies sport needs to have this fact in mind (Novotný, 2006, 2011).

**Professional culture today**

In the Czech Republic still plays an important role in the cultural policy state itself, although its share is only about a third of total public expenditure. The first strategic document in 1989 for the arts has been adopted by the government in 2006, valid until 2013. This document declares that art is an important part of human life and culture, contributes to our identity and participates in the creation of respected acclaimed values by society. Art is a force that changes humans and society, bringing new ideas, suggestions and ways of thinking about us and about the society in which we live, and creates new opportunities for further personal and social development.

This concept conceives art as

- Part of sustainable development and stability conditions into society
- A significant economic factor
- An important instrument of foreign policy of the state
- Indicators of the quality of democracy and civil society (Škrabelová, 2007)

The objective of promoting should ensure conditions for free creative expression and presentation of artworks, including their critical reflection and processing and preservation of these works as cultural heritage for future generations. Individual actions are directed in particular to

- Strengthening the role of art in society
- Strengthening the presentation of Czech art abroad and international cooperation
- Maintaining and developing the artistic diversity with an emphasis on promoting creativity and to the balancing effects of consumer society
- Ensuring accessibility of the arts for the citizen
- Improve infrastructure including investment support cultural institutions (Smolřková, 2010)

**Sport and culture in Brno today**

In this chapter, we will show numbers about financing the theater, especially the National Theatre, City Theatre and the Brno Philharmonic Orchestra, as the most visited cultural institutions in the city. Monitored figures will be overall attendance, overall budget, subsidy from the city, percentage of self-sufficiency and percentage of occupancy rate. Below mentioned numbers are from 2010 (table no. 1).



Now we move from the cultural sphere to an environment of professional sport and more analyze the system of its support from the city. In table below are showed overall attendance, overall budget, subsidy from city's budget, extraordinary subsidy from city's

budget, self-sufficiency (finance from entrance fee, sponsoring, merchandising and broadcasting right) and occupancy rate (capacity of ice hockey stadium is 7200 places and football stadium 12 500 places). All figures are from 2010 (table no. 2).

**Table 2.** Sport clubs

	HC Kometa Brno	FC Zbrojovka Brno
Overall attendance	253 000	30 615
Overall budget (CZK)	120 000 000	55 - 60 000 000 (estimate)
Subsidy from city's budget (CZK)	1 500 000	1 500 000
Extraordinary subsidy (CZK)	10 000 000	28 600 000
Self-sufficiency (%)	88	50 (estimate)
Occupancy rate (%)	96	19

Source: Own work based on estimated figures of those sports club unofficial stats.

As a last figure we will show numbers which deal with city's budget of Brno. First is figure from block of psychical education and sport (in which is also finance

for subsidy of top sport) and second is block of culture. Here is comparing of years 2011 and 2012 (table no. 3).

**Table 3.** City budget

	Psychical education and sport 2011	Psychical education and sport 2012	Culture 2011	Culture 2012
Subsidy by block of city's budget (CZK)	274,300,000	253,600,000	1,025,800,000	827,500,000

Source: Own work based on *Souhrnný rozpočet statutárního města Brna za rok 2011, Souhrnný rozpočet statutárního města Brna za rok 2012.*

### Conclusion

In evaluation of all these mentioned facts we should accentuate certain inference, namely that both cultural performance and sporting events are in way of drama that is primarily intended to audience, whether for intellectual enrichment, sponsorship or promotion of products. In the historical analysis, we also noticed many similarities, especially in the constant requirements for construction of new cultural and sports facilities, which were very unsatisfactory in the time of largest increase in population of the city in the twenties and thirties. This appeal takes of course to the present time, when the city sports facilities is far below the level comparable cities and the fact that Brno is missing a decent concert hall, is not just praiseworthy. In terms of visitors, however, we get into a situation where, despite the huge popularity of hockey in the city are clearly more attended cultural institutions. Another compared factor was reallocation of the city budget, where despite the visibly decreasing part of this budget on field of cultural institutions which are getting much larger amount than the item in which belongs also sport. But we need recall the relatively frequent extraordinary subsidies, whether football club

Zbrojovka or ice hockey club Kometa which city justified by a good option through the promotion of professional sport and keep top sport in the city in the time of economic problems of these clubs. However, we must also mention the bad conditions for spectator sport where Brno lags behind big cities as well. It is difficult to compare the economic functioning of the state with the same operation of private companies it is also difficult to compare the attitudes of the municipality to support mainly non profitable "high culture" that otherwise would fade out without state subsidies or it will be moved only to the elite society and professional sport that should work on a commercial basis, as we can know in case of Western Europe or North America. The municipality would in such a case should deal extremely carefully and respond to internal stimuli. When sport is in long-term crisis, unlike the situation in other cities does not support of any large industrial company, municipality should proceed to some form of subsidy. If in other hand this club is expanding and has enough sponsors and finances, it is necessary to place these subsidies to another place where they are more needed, e.g. in our instance rather for cultural institutions. In summary, we



could highlight the following relevant issues. The first of these problems is undoubtedly extremely difficult comparing of these two sectors, despite the fact of constantly occurring comparison. Big problem is also the current macroeconomic situation, when we are feeling practically in all spheres relative economic decline, which also touched on the financing of culture as well as operability of professional sports. And if we came out of assumption that there is a culture and professional sport primarily intended for inhabitants of the city and they are free to decide how to spend their leisure time, in this case the city should at least basically to ensure of this option to its inhabitants. In the case of culture, the situation is quite clear, from the perspective of public economics. However, in professional sports, the situation is more debatable and depends on the viewpoint of interpretation. It is therefore completely under the control by representative of the city how they loaded with funds and that will give relatively large amounts to support professional sport or not. The city and its leaders should also develop a strategy which will deal with the problem of city presentation. Brno has to decide if it wants to present itself to its people, and especially from other cities in the Czech Republic and abroad, by the culture or by the sport. In conclusion we can say that the work emphasizes us the lack of information on all sides (the cultural sphere, the sphere of professional sports, but also the leaders of the city) and the lack of will for closer cooperation in the city.

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