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Art Museums in the United States: A Financial Portrait

Richard N. Rosett

6.1 Introduction

The Association of Art Museum Directors comprises approximately 140 museums in the United States and Canada that have in common the collection, preservation, and exhibition of works of art. They range from the great multicollecion museums of New York, Chicago, Boston, and Washington, D.C. to museums highly specialized as to era, region, subject matter, and medium. Their collections include American, Asian, African, European, antique, medieval, modern, and contemporary art, art of the American West, and North Carolina folk art. There are museums that specialize in ceramics, glass, photography, portraiture, and sculpture. Their budgets range from a few hundred thousand dollars to well over one hundred million dollars. Half the members of the Association of Art Museum Directors (AAMD) are housed in buildings smaller than the store operated by the largest museum, New York's Metropolitan Museum of Art.

It is the nature of human institutions that their guiding spirits seldom are content. Opportunities for growth and improvement lie in every direction and could be seized if only there were more time, more money, fewer regulations of the sort that restrain progress and better enforcement of those that promote it. Art museums are no exception to this rule. There are vast populations to educate, mysteries to solve, decaying treasures to preserve, and new treasures to gather in. So it is that after almost half a century of unprecedented growth and prosperity, art museums in the United States, plagued by rising costs of acquiring, caring for, and exhibiting fine art, shrinking support from some

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traditional sources of revenue, and decreasingly supportive public policy, see themselves as faced with challenges they must struggle to meet and opportunities they may not be able to seize, frustrated by a growing disparity between what must be done and the means to do it.

Financial surveys of AAMD membership since 1985 confirm some elements of the museum dilemma and suggest directions in which solutions may lie, at least for some museums. Art museums taken as a group, are funded by individuals, foundations, and corporations; by national, state, and local government; by the income of their own invested endowments; and by what they charge for various services more or less related to or derived from their principal functions. While about one-third of the museums depend on all these sources, with none dominating, more than two-thirds depend on one or another of these sources for 40 percent or more of their revenue and are therefore especially vulnerable to the sorts of fluctuations suffered by any ordinary business that deals heavily in one market.

6.2 The Association of Art Museum Directors

Strictly speaking, the Association of Art Museum Directors, the principal art museum membership organization, is an organization of museum directors, not museums, but the requirements for membership include both the qualifications of the directors and of the museums. AAMD bylaws provide that, "active membership is open to persons who serve as directors of art museums which, by purpose, size and standards of operation meet the eligibility requirements established by the Trustees of the Association," and that, "Eligible individuals will be professionally qualified for their positions by a sufficient combination of art historical training, museum experience, demonstrated ability and adherence to the Code of Ethics of the Association."

The code itself, contained in a 30-page AAMD pamphlet entitled "Professional practices in Art Museums," briefly describes and enjoins the principal conflicts of interest to which museum directors are subject: self-dealing and profiting personally either from inside knowledge gained by virtue of the director's position or by trading on the reputation and prestige of the museum. "Professional Practices" also spells out the chief managerial responsibilities of the director and the function of the board, and provides guidance for hiring and firing directors, for acquiring and disposing of works of art, for cataloguing, preserving, exhibiting, and lending works of art, and for recognizing and dealing with conflicts of interest involving board members and directors. One sentence particularly significant in any discussion of museum finances deals with deaccession and disposal of works of art: "Deaccessioning should be related to [collection] policy rather than to exigencies of the moment, and funds obtained through disposal must be used to replenish the collection."

6.3 The AAMD Surveys

The AAMD's first membership survey, conducted in 1985, dealt with museum employees' 1984 salaries. It was augmented by a statistical survey of financial data and operating characteristics in 1985, and the survey has been conducted since then in the expanded format. A copy of the statistical survey questionnaire is reproduced as appendix A. The 1989 survey, which covered 1988 operations, produced 155 responses, approximately an 80 percent response rate. The financial data generally are not cast in a form that permits checks of internal consistency—and where checking is possible, it reveals inaccuracies, some of them considerable.

Problems arise from the design of the survey itself. In reporting revenues, museums were asked for total current operating income, and for all its components, with specific instructions to report the components of earnings from class tuition, stores, restaurants, and so on, net of direct costs. Interpretation of these instructions varied widely, with only half the respondents reporting total revenue as the sum of its components. As a result, about half the museums report total revenue well below total expenditure, many of them claiming at the same time that their budgets are not in deficit. In reporting expenditures, museums were asked for total operating expenditures, total salary and benefit expenditures, and expenditures on specific activities: curatorial service, conservation, administration, development, and so on. Because these specific components are not exhaustive, almost two-thirds of the responses show total expenditures that exceed the sum of the components by at least 10 percent. The bottom line is that the survey does not provide checks of internal consistency. Neither total revenue nor total expenditure can be tested against the sum of components, and these two numbers cannot be used to test one another, despite inclusion of the size of the museum's surplus or deficit in the survey.

The worst problems afflict the 1985 data. The survey was new, museum personnel were unaccustomed to the questionnaire, and questions went unanswered or were answered in ways that seem implausible, especially in view of disparities between that survey and the three that followed. The following three surveys were far better than the first. In most of what follows, I use the sums of expenditures and revenue data for the three years, 1986 to 1988, to describe the financial condition of these 112 museums. For physical characteristics, I have used 1988 data.

Some data problems arise from the organizational form of the museums themselves. Several of the Smithsonian museums share certain facilities, and university museums often are provided with services not reflected on their own books. The survey design makes it impossible to determine whether, in cases like these, there has been even an effort to allocate costs and revenues, much less whether the allocation is sensible. Despite these and other problems

with the data, summary comparisons among the three years of data (1986–88) and among groups of museums classified in several different ways suggest that the data may be useful in forming a general picture of art museums' financial condition and addressing questions about changing patterns of museum funding. While the data cannot comfortably bear the burden of sophisticated statistical analysis aimed at discovering behavioral relationships, crude comparisons among aggregates and averages still can be illuminating. Even if it is not possible to estimate the demand for museum admissions or determine whether the industrial mix of a community shapes the revenue-producing activities of its museums, still it is possible to determine the financial condition of groups of museums and to explore the directions in which opportunities for improvement lie.

Of the 155 museums responding to the 1989 survey, 43 were excluded from the group examined here because key data items were missing or because they were Canadian museums. The excluded U.S. museums are about one-third smaller, on average, than those that are included, but beyond that, there is no obvious characteristic that distinguishes them except for the incompleteness of their survey responses. The 112 museums that remain after the exclusions include the half-dozen largest and are broadly representative of size, type, and region. In the discussion that follows, I frequently make comparisons of subgroups of museums to the 112 total, as though the group constitutes all art museums. The tedious repetition of this reminder seems worse than the modest misinterpretations that may result from its omission.

The AAMD surveys are like a series of snapshots, taken to give each member museum an idea of how it stacks up against the others. From these snapshots I have attempted to construct a portrait, not of the art museum, but of the getting and spending of art museums. What emerges is not one portrait, but several. Art museums, however varied their size and substance, are surprisingly similar in their spending on the main functions that are peculiar to them: collection management, conservation, education, and so on. They vary considerably, however, in the ways in which they fund these activities. It is upon the variation in the sources of funding and the related variations in spending that I have focused in an effort to gain an insight into how art museums might best exploit opportunities for growth or, under other circumstances, cope with adversity.

6.4 Geographic Distribution of Art Museums

Though a number of small cities boast art museums of excellent quality, and though there are museums in remote locations that attract visitors from throughout the nation, the great metropolitan areas of the United States enjoy an understandably disproportionate concentration of large, well-funded museums. Table 6.1 gives some of the statistics that illustrate this concentration. Of the 112 museums in the sample, 107 are located in 67 U.S. metropolitan

Table 6.1 Museum Characteristics by Metropolitan Area, 1988

Metropolitan Area	Number of Museums	1984 Population	Buildings (Sq. Feet)	Employees (Full-Time)	Attendance	Total Revenue	Total Spending
Largest 10	38	67,879	8,130	6,575	73,791	\$1,449,113	\$1,422,774
Percent	33.9%	28.7%	54.1%	65.8%	67.1%	69.9%	70.0%
Second 10	17	22,800	1,822	1,023	11,710	\$ 208,426	\$ 196,571
Percent	15.2%	9.7%	12.1%	10.2%	10.6%	10.0%	9.7%
Third 10	11	14,194	1,308	621	6,214	\$ 98,919	\$ 99,761
Percent	9.8%	6.0%	8.7%	6.2%	5.6%	4.8%	4.9%
Fourth 10	10	9,067	1,106	529	5,489	\$ 93,883	\$ 92,775
Percent	8.9%	3.8%	7.4%	5.3%	5.0%	6.5%	4.6%
Fifth 10	14	6,284	1,369	735	5,666	\$ 132,243	\$ 130,054
Percent	11.6%	2.7%	9.1%	7.4%	5.1%	6.4%	6.4%
Sixth 10	11	2,767	652	279	3,431	\$ 44,321	\$ 44,703
Percent	9.8%	1.2%	4.3%	2.8%	3.1%	2.1%	2.2%
Smallest 11	11	1,154	636	235	3,749	\$ 47,035	\$ 45,878
Percent	9.8%	0.5%	4.2%	2.4%	3.4%	2.3%	2.3%
Total	112	124,146	15,022	9,997	110,050	\$2,073,940	\$2,032,517
Total percent	100.0%	52.6%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Except for number of museums and employees, figures are in thousands. Attendance and dollar figures are three-year totals.

areas with a total population in 1984 of 124 million, or 53 percent of the total. The ten largest metropolitan areas, with 29 percent of the U.S. population have 38 of the 112 museums for which we have data. Though these are just one-third of the museums, they have more than half of the building space and exposition capacity, they employ two-thirds of museum employees, they entertain two-thirds of museum visitors, and their budgets account for 70 percent of all art museum spending. Museums, like other cultural institutions, as well as fine restaurants, financial markets, and wealth, are concentrated in large cities.

Museum funding flows to the metropolitan areas roughly in proportion to the attendance figures. Table 6.2 breaks revenue into the various reported sources. The sum of revenue from the various sources in table 6.2 falls short of the total reported in table 6.1 by about 17 percent, possibly because revenue is reported inaccurately or because the list of sources is not exhaustive. The overall picture is one of rough proportionality, as to total revenue, main components, and attendance, but there are striking exceptions which suggest a more useful way of classifying museums than according to the size of the metropolitan area.

Table 6.3 provides a clue to a more useful system of classification by showing that there are striking variations in the patterns of revenue source as we move from one group of metropolitan areas to another. Museums in the ten largest metropolitan areas, for example, derive a far greater share of revenue from federal funding than any other group. This is because Washington, D.C., the ninth-largest metropolitan area, is the home of the five Smithsonian museums, which receive 80 percent of federal funding for museums. Excluding Washington from the comparisons eliminates the disparity. Corporate funding, on the other hand, goes disproportionately to museums in the bottom eleven areas. Two of these museums have strong historical connections to particular corporations which account for their specializations—glass in one case and photography in the other—and for their exceptional success in obtaining corporate support.

From the largest to the smallest metropolitan areas, museums vary little in the proportions of their budgets dedicated to their various functions. Table 6.4 is more remarkable for the uniformity of its distributions than for striking departures. The greatest variations occur in the overhead spending on administration and development. For the purpose of understanding these and certain other budget variations, classification by size of metropolitan area is less illuminating than another scheme, classification according to the museum's principal source of revenue.

While revenue from the chief sources of art museum support flows to metropolitan areas roughly in proportion to attendance, this is not because all or even most museums are supported by the various sources in similar proportions. Rather it is because the several groupings of metropolitan areas tend to have a mix of museums, some heavily supported by one source, others by

Table 6.2

Sources of Museum Revenue by Metropolitan Area, Three-Year Totals, 1986–88

Metropolitan Area	Total	Federal Government	State Government	Local Government	Other Government	Corporate	Private	Endowment Income	Earnings
Largest 10	\$1,151,662	\$171,323	\$70,089	\$139,635	\$5,294	\$67,977	\$327,487	\$162,572	\$207,285
Percent	66.8%	89.6%	65.4%	64.3%	17.7%	60.6%	70.5%	54.0%	68.9%
Second 10	187,852	6,791	5,912	47,432	1,753	11,579	48,666	41,170	24,549
Percent	10.9%	3.6%	5.5%	21.9%	5.9%	10.3%	10.5%	13.7%	8.2%
Third 10	88,609	3,012	3,653	14,339	762	6,567	28,996	17,274	14,007
Percent	5.1%	1.6%	3.4%	6.6%	2.5%	5.9%	6.2%	5.7%	4.7%
Fourth 10	91,599	4,062	1,615	7,970	19,674	10,873	19,102	16,040	12,262
Percent	5.3%	2.1%	1.5%	3.7%	65.7%	9.7%	4.1%	5.3%	4.1%
Fifth 10	118,856	3,073	12,523	5,476	143	5,204	20,787	47,900	23,750
Percent	6.9%	1.6%	11.7%	2.5%	0.5%	4.6%	4.5%	15.9%	7.9%
Sixth 10	40,740	1,131	8,026	257	2,101	790	7,468	11,410	9,557
Percent	2.4%	0.6%	7.5%	0.1%	7.0%	0.7%	1.6%	3.8%	3.2%
Smallest 11	44,603	1,716	5,367	1,911	215	9,130	12,209	4,450	9,604
Percent	2.6%	0.9%	5.0%	0.9%	0.7%	8.1%	2.6%	1.5%	3.2%
Total	\$1,723,922	\$191,109	\$107,185	\$217,020	\$29,942	\$112,121	\$464,715	\$300,816	\$301,015
Total percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Dollar figures in thousands.

Table 6.3 **Percentage Distribution of Sources of Revenue by Metropolitan Area, Three-Year Totals, 1986-88**

Metropolitan Area	Total (%)	Federal (%)	State (%)	Local (%)	Other Government (%)	Corporate (%)	Private (%)	Endowment Income (%)	Earnings (%)
Largest 10	100.0	14.9	6.1	12.1	0.5	5.9	28.4	14.1	18.0
Second 10	100.0	3.6	3.1	25.2	0.9	6.2	25.9	21.9	13.1
Third 10	100.0	3.4	4.1	16.2	0.9	7.4	32.7	19.5	15.8
Fourth 10	100.0	4.4	1.8	8.7	21.5	11.9	20.9	17.5	13.4
Fifth 10	100.0	2.6	10.5	4.6	0.1	4.4	17.5	40.3	20.0
Sixth 10	100.0	2.8	19.7	0.6	5.2	1.9	18.3	28.0	23.5
Smallest 11	100.0	3.8	12.0	4.3	0.5	20.5	27.4	10.0	21.5
All areas	100.0	11.1	6.2	12.6	1.7	6.5	27.0	17.4	17.5

Table 6.4

Percentage Distribution Among Uses of Funds by Metropolitan Area, Three-Year Totals, 1986-88

Metropolitan Area	Total (%)	Curatorial Service (%)	Conservation (%)	Education (%)	Library (%)	Operations (%)	Administration (%)	Development (%)
Largest 10	100.0	32.2	2.7	6.3	2.0	32.9	17.3	6.7
Second 10	100.0	28.9	2.6	8.1	2.9	24.5	22.6	10.4
Third 10	100.0	28.0	2.2	6.8	2.0	29.6	18.8	12.6
Fourth 10	100.0	26.4	1.9	7.6	3.0	31.2	26.7	3.2
Fifth 10	100.0	21.4	2.3	9.5	2.2	26.9	29.2	8.4
Sixth 10	100.0	25.5	2.5	6.7	1.9	32.3	21.1	10.0
Smallest 11	100.0	27.8	1.7	5.7	2.0	26.9	29.9	6.0
All areas	100.0	30.2	2.6	6.8	2.1	31.1	19.7	7.4

another. Art museums tend to specialize as to their sources of revenue even more than they specialize in the art they collect. The five Smithsonian art museums all receive at least 80 percent of their revenue from the federal government. The sixth museum, ranked according to support from this source, receives just over 50 percent, and no other museum receives more than 25 percent of its revenue from the federal government. State and local governments, too, concentrate their support on a group of museums with which they maintain special relationships, though not to the same degree as the federal government. There are groups of museums that rely most heavily on one or another of several private sources of revenue: contributions, endowment income, earnings from admissions, stores, restaurants, tuition, and a variety of service and rental charges. Under one-third of the 112 museums included in this study so spread their sources of revenue as to defy classification on this basis. Leaving aside the nature and quality of the collection itself, the readily observable characteristic that divides art museums most sharply is their principal source of revenue.

Policy decisions both by donors and museums tend to sort museums out according to principal revenue source. Governments condition their support for museums to suit public policy objectives which are not likely to be free of political considerations. Private foundations are guided by the policy objectives of their founders and their governing bodies. Corporations tend to favor museums close to world headquarters or which collect art linked somehow to the nature of the business. Museums seek support from these sources, weighing their own objectives against the potential donors' requirements. Museums vary in their admissions policies, the extent and effectiveness of their fundraising efforts, and their success in operating stores and restaurants. Revenue specialization is a product both of the environment in which a museum operates and of its own choices.

6.5 Sources of Museum Revenue

Table 6.5 shows the nine categories into which the 112 museums are divided, the number that fall into each category, and summary expenditure data for each category. Total revenue, the sum of revenue components, and total expenditure match reasonably well for the first six categories, but the last three show disparities, with the largest disparity in the category that contains almost one-third of the museums and accounts for almost one-half of museum budgets. The two categories with the largest disparities are those most affected by the ambiguity of the survey questionnaire. Both derive a substantial fraction of their revenue from tuition, store and restaurant profits, and other earnings.

Each museum was classified according to which of the eight broad revenue sources accounted for at least 40 percent of its revenue. Because of the ambiguity surrounding total revenue, I used the sum of the reported components of

Table 6.5 Museum Characteristics by Principal Source of Revenue, 1986–88

Principal Source	Number of Museums	Total Revenue	Sum of Revenue Components	Total Expenditure	Surplus	Full-Time Employees	Buildings (Sq. Feet)	Attendance	Endowment Market Value (1988)
Federal	6	\$ 181,295	\$ 185,289	\$ 177,253	\$ 498	1,315	1,754	27,866	\$ 153,714
State	9	120,903	114,123	118,521	4,543	589	1,187	5,360	33,827
Local	11	167,563	161,923	153,356	11,621	888	1,630	7,835	73,882
Other government	4	36,281	35,079	35,391	1,407	273	468	3,040	6,108
Corporate	4	29,563	29,127	29,549	59	143	305	2,276	47,921
Private	23	277,840	275,903	268,659	3,096	1,461	2,094	14,045	201,223
Endowment	15	214,051	191,718	209,792	17,935	1,213	1,991	9,424	819,331
Earnings	6	87,798	91,946	124,307	2,558	601	690	4,387	158,437
Various	34	958,646	638,813	915,689	20,693	4,796	5,581	35,818	898,360
Total	112	\$2,073,940	\$1,723,922	\$2,032,517	\$62,408	11,279	15,701	110,050	\$2,392,804

Note: Except for number of museums and employees, figures are in thousands. Attendance and, except for endowment, dollar figures are three-year totals.

revenue as the basis for calculating this percentage. Since this is the sum that best represents the amount of money available for spending on the museum's principal missions (as contrasted with operating stores and restaurants) it would have been the appropriate measure in any case. The categories are: Federal, State, Local (county and city governments), Other Government (a special category which seems to distinguish a particular way of funding a few state university museums), Corporate, Private (memberships, private foundation grants, and gifts), Endowment (endowment income earmarked for art purchases is excluded because it is not available for the ongoing operations of the museum), and Earnings (admissions, store and restaurant contribution net of direct costs, school tuition, and various fees). Thirty-four museums fell into none of these eight categories because their sources of support were diffuse rather than concentrated. These were classified as Various. The Various category includes five of the largest: the Metropolitan Museum of Art, the Chicago Art Institute, the Museum of Modern Art, the Philadelphia Museum of Art, and the Los Angeles County Museum of Art. For groups of museums classified in this way, I calculated the ratio of total revenue to the sum of revenue from the eight named revenue sources. The largest aggregate departure from a ratio of 1.0 is in the Various category, with a ratio of 1.2. Reported total revenue and expenditures tally reasonably in this and all other categories but one, Earnings, where expenditures are reported to be almost one-half larger than revenues for reasons discussed above. A minor anomaly of this classification scheme is that it places among the federally supported museums, one small university art gallery with a federal grant dominating its budget for just the three years of this study. It is small enough to be overwhelmed, statistically, regardless of how it is classified, so I left it where it fell, among the Feds.

Tables 6.6 and 6.7 together show the flow of financing to and from the several categories and illuminate the wide differences in the way museums are financed. The federal government provides (table 6.7) 11 percent of all museum funding, but the Smithsonian museums receive (table 6.6) 80 percent of federal support for museums, so that for the other groups, federal support ranges from less than 2 percent to just over 4 percent of total revenue. The Various category, with an aggregate budget five times larger than the Federal category, receives just 8 percent of federal support. Taking another example, private contributions (memberships, gifts, foundation grants, and so on) make up 27 percent of all museum funding, but less than 1 percent of it goes to Federal museums. The museums in the Various category, with aggregate budgets 5 times larger than the Federals, receive 50 times the private support.

To what extent is the pattern of museum funding due to choices the individual museums make, and to what extent is it due to factors beyond their control? Congress appropriated (over the three-year period, 1986–88) \$191 million that went to the support of the 112 museums in our sample, but \$153 million of it was earmarked for the Smithsonian art museums. Most of the rest

Table 6.6

Sources of Museum Revenue by Principal Source, Three-Year Totals, 1986-88

Principal Source	Sum of Sources	Federal	State	Local	Other Government	Corporate	Private	Endowment Income	Earnings
Federal	\$ 185,289	\$153,386	\$ 10	\$ 11	\$ 0	\$ 12,915	\$3,849	\$ 10,074	\$ 5,044
Percent	10.7%	80.3%	0.0%	0.0%	0.0%	11.5%	0.8%	3.3%	1.7%
State	114,123	1,616	71,461	1,800	70	3,427	15,846	3,698	16,206
Percent	6.6%	0.8%	66.7%	0.8%	0.2%	3.1%	3.4%	1.2%	5.4%
Local	161,923	4,479	8,678	83,486	1,685	6,329	31,180	8,032	18,055
Percent	9.4%	2.3%	8.1%	38.5%	5.6%	5.6%	6.7%	2.7%	6.0%
Other government	35,079	1,466	795	9	25,363	527	3,996	716	2,208
Percent	2.0%	0.8%	0.7%	0.0%	84.7%	0.5%	0.9%	0.2%	0.7%
Corporate	29,127	1,239	566	262	3	15,333	5,384	2,154	4,186
Percent	1.7%	0.6%	0.5%	0.1%	0.0%	13.7%	1.2%	0.7%	1.4%
Private	275,903	6,101	3,907	7,966	497	20,733	162,256	35,778	38,666
Percent	16.0%	3.2%	3.6%	3.7%	1.7%	18.5%	34.9%	11.9%	12.8%
Endowment	191,718	5,532	4,423	673	97	5,501	31,453	114,483	29,556
Percent	11.1%	2.9%	4.1%	0.3%	0.3%	4.9%	6.8%	38.1%	9.8%
Earnings	91,946	2,073	1,814	639	12	4,103	16,260	21,576	45,469
Percent	5.3%	1.1%	1.7%	0.3%	0.0%	3.7%	3.5%	7.2%	15.1%
Various	638,813	15,218	15,531	122,175	2,215	43,253	194,491	104,305	141,625
Percent	37.1%	8.0%	14.5%	56.3%	7.4%	38.6%	41.9%	34.7%	47.0%
Total	\$1,723,922	\$191,109	\$107,185	\$217,020	\$29,942	\$112,121	\$464,715	\$300,816	\$301,015
Total percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Dollar figures in thousands.

Table 6.7 **Distribution of Revenue Sources by Principal Source, Three-Year Totals, 1986–88**

Principal Source	Sum of Sources (%)	Federal (%)	State (%)	Local (%)	Other Government (%)	Corporate (%)	Private (%)	Endowment Income (%)	Earnings (%)
Federal	100.0	82.8	0.0	0.0	0.0	7.0	2.1	5.4	2.7
State	100.0	1.4	62.6	1.6	0.1	3.0	13.9	3.2	14.2
Local	100.0	2.8	5.4	51.6	1.0	3.9	19.3	5.0	11.2
Other government	100.0	4.2	2.3	0.0	72.3	1.5	11.4	2.0	6.3
Corporate	100.0	4.3	1.9	0.9	0.0	52.6	18.5	7.4	14.4
Private	100.0	2.2	1.4	2.9	0.2	7.5	58.8	13.0	14.0
Endowment	100.0	2.9	2.3	0.4	0.1	2.9	16.4	59.7	15.4
Earnings	100.0	2.3	2.0	0.7	0.0	4.5	17.7	23.5	49.5
Various	100.0	2.4	2.4	19.1	0.3	6.8	30.4	16.3	22.2
All sources	100.0	11.1	6.2	12.6	1.7	6.5	27.0	17.4	17.5

went to support museums through the National Endowment for the Arts, The National Endowment for the Humanities, and the Institute for Museum Services. An individual museum might obtain federal funds by applying for a grant under one or another of the programs directed to their support or, occasionally by lobbying for funds to support an exceptional project. A successful applicant (such as the anomalous case mentioned earlier) might increase federal support for its own budget to an exceptional 40 or 50 percent for a year or two, but nothing the museums do individually or collectively is likely to change the aggregate picture presented in tables 6.6 and 6.7.

Other sources of revenue provide more promising directions in which to look for increased art museum funding. One-third of all museum support comes from private contributions, including contributions from corporations. But museums whose principal revenue source is endowment income receive only one-fifth of their funding from these sources. Is this like the case of federal museum financing in which redistribution of a limited pie is all that is possible, or could an able development officer help such a museum achieve a substantial increase in its revenue from private sources? Or to put the question differently, the museums in the Various category are, on average, larger than the museums in any other category except for the Federal. Are they large because they choose to exploit many revenue-producing opportunities, including some neglected by museums with dependable endowment or government revenue?

Though the federal government and the several state governments that support museums focus their support on a small number of institutions, other revenue sources are far more eclectic. Consider corporate support. While there are four museums whose revenue from corporations averages more than one-half their budgets, together they receive only 14 percent of all the money corporations give to museums. Corporate support for museums in every category except State and Endowment averaged above \$0.5 million per museum for the three year period. The 34 museums in the Various category averaged \$1.3 million in corporate gifts, and received 7 percent of their revenue from corporations. The 15 Endowment museums averaged under \$0.4 million, 3 percent of their revenue. Other examples of the same sort could be drawn from these tables, but one suffices to illustrate the principle.

The classification scheme used here contributes to this disparity. Naturally, if we group museums together on grounds that a large fraction of their revenue comes from one source, the fraction coming from other sources will tend to be small. But choices made by the museums themselves also contribute to the great variations in revenue patterns. A well-endowed museum may pass up opportunities for corporate or foundation support, possibly to avoid constraints such support sometimes carries and possibly because a secure revenue source weakens the incentive to develop other sources. There is some evidence, in both the revenue and in the expenditure data, suggesting that mu-

seums do choose to specialize as to revenue source, and that the patterns we see are not merely reflective of the classification scheme.

6.5.1 Earnings

There are revenue sources that seem to be closed to certain categories of museum. State and local governments do not contribute to the support of federal museums, deferring to the U.S. Congress, both for the spending and the associated taxing. Foundations and corporations pursue a variety of support policies that limit eligibility for their generosity. Museums in home-office cities may have better access to corporate gifts than museums in branch-office cities. Foundations welcome those supplicants seen to be pursuing objectives or performing services that suit the foundations' own purposes, which may be narrowly defined. A museum may find that its specialization, its size, its audience, or its location place it beyond the pale for a particular source of revenue.

No revenue source is entirely exempt from externally imposed restrictions. Policies of donors themselves may limit or bar a museum's reliance on certain revenue sources. Conditions in the museum's charter, or attached to a gift or an endowment, may prohibit or limit admissions charges. Considerations of security may prohibit rental of space in the museum for receptions and banquets unrelated to the museum's own operations. Ordinary market considerations having to do with location, the size and nature of the local market, and the nature of the collection limit what can be earned through admissions and retail sales. What sets earnings apart from the rest of the revenue sources is the extent to which they can be enhanced by marketing techniques employed in ordinary retail trade: advertising, pricing, product management, and promotions. Table 6.8 highlights the retail components of earnings: admissions, store, and restaurant revenue.

6.5.2 Admissions Revenue

Whether or not to charge for admission is a policy question that may go to the very heart of a museum's mission. For many museums, offering the public free access to its exhibitions is a central purpose. Above the entrance to the St. Louis Art Museum the words chiseled in stone read, "Free to All." Even museums whose admissions charges make up a substantial portion of revenue often provide free or very inexpensive access to their collections on certain days of the week and to specific groups. Museums almost always admit members free and many extend the privilege of free admission to members' guests. The practice of privileged access for members may be thought of as a trade-off between the earnings component of revenue and private contributions. The 1988 AAMD data include the results of a special survey on admissions charges. There were 135 responses to the survey, with 69 reporting that they charge admission and 65 reporting free admission. Among our 112 museums, 68 report at least some admissions revenue.

Table 6.8

Earned Revenue by Principal Source of Revenue, Three-Year Totals, 1986-88

Principal Source	Total Earnings	Admission Revenue		Store Revenue		Restaurant Revenue		Other Earnings
		Total	Per Admittance	Total	Per Sq. Foot	Total	Per Sq. Foot	
Federal	\$ 5,044	\$ 0	\$0.00	\$ 179	\$ 8	\$ 635	\$15	\$ 4,230
State	16,206	4,128	0.77	4,467	446	479	24	7,131
Local	18,055	2,574	0.33	6,470	389	286	16	8,725
Other government	2,208	153	0.05	978	164	80	5	997
Corporate	4,186	979	0.43	996	585	143	*	2,067
Private	38,666	8,766	0.62	10,311	348	664	27	18,924
Endowment	29,556	5,985	0.64	13,010	266	(460)	(17)	11,021
Earnings	45,469	8,984	2.05	9,600	718	835	49	26,050
Various	141,625	50,420	1.41	38,198	389	1,797	15	51,211
All museums	\$301,015	\$81,991	\$0.75	\$84,210	\$343	\$4,458	\$15	\$130,365

Note: Total figures are in thousands of dollars. Revenue per admittance and per square is in dollars.

*Square feet not reported in this category.

According to the survey, more than two-thirds of the museums that charge admission provide free access for at least some portion of one day of the week, with more than half of these sponsored by a donor (in effect, a gift conditioned on the granting of some free access). About one-third grant free admission to school tour groups and to other youth groups. Students and senior citizens often are admitted free of charge or at a nominal fee; members almost always are admitted free. Still, admissions provide a source of earnings second only to the museum store's contribution except for museums in the Various category, where admissions are the largest source of earnings, and the Federal category, where admissions are zero. Unfortunately, no dependable inferences can be drawn from the AAMD data as to the effect of admissions charges on museum attendance.

6.5.3 Store and Restaurant Revenue

Almost every museum sells something to its visitors, if nothing more than postcards depicting reproductions of works it exhibits. The largest museum stores offer a wide variety of reproductions, books, greeting cards, craft products, gift merchandise, and jewelry both in their stores and through catalogue sales to national clientele. One hundred museums reported store revenue net of direct costs in 1988 ranging (net of wages and benefits) from a high of \$4.22 million down to minus \$56 thousand, with floor space ranging from the Met's 32,000 square feet to a small museum with 50 square feet devoted to what must be a single counter featuring postcard reproductions and a few books. The average museum store occupies 2,400 square feet.

Museum restaurants are less common than stores and far less profitable; only one-third of the museums report restaurant revenue. Aggregate restaurant revenue is less than 5 percent of aggregate store revenue. While only 2 of the 100 museum stores lost money in 1988, 7 of the 38 restaurants operated in the red. Taking account of the rental value of the space devoted to these activities makes the comparison even more lopsided. If a square foot of museum has a rental value of \$10, 91 stores and 12 restaurants operated in the black. If the rental value is \$20, these numbers fall to 82 and 6.

These results are manifest in table 6.8. Museum stores produce, per square foot, 20 times the restaurant revenue. While the period we are looking at is too brief to permit calculation of a reliable trend, museums seem to be responding sensibly to the disparity. Aggregate store space, which was 233,000 square feet in 1986, increased by 6 percent over the next two years while restaurant space fell by 8 percent from 311,000 square feet. A seemingly unprofitable restaurant may contribute to revenue production in other categories or provide benefits not easily measured. The restaurant may provide a tax-exempt fringe benefit for museum employees in the form of subsidized meals, or it may help attract paying visitors to the museum (about one-third of the museums with restaurants charge restaurant patrons for admission). The shift

of space from money-losing restaurants to moneymaking stores is evidence that operating in the black is among the values that guide museum management.

6.5.4 Other Earnings

Museums' earnings include tuition charges, fees for the use of facilities, fees paid to the reporting museum for exhibitions it organizes and sends on the road, the net proceeds of benefit balls and banquets, and so on. The AAMD survey reports these earnings in five separate categories, the largest of which, other earned income, accounts for 16 percent of earnings and just 3 percent of all revenue. All five of these revenue sources are grouped together in the other earnings category shown in Table 6.8.

A few details concealed from view by grouping deserve special comment. There are six museums whose chief source of revenue over the three-year period covered by the survey was earnings. Each received a far larger than average share of its revenue from at least two of the subcategories of earnings, and all did somewhat better than average in most subcategories. Particularly striking is the fact that these museums earned 20 percent of their revenue (41 percent of their earnings) from class tuition, as compared with an average of 1 percent.

6.5.5 Endowment

The governing body and management of an art museum need to be especially farseeing to choose endowment-raising over other means of increasing revenue. Endowment's advantage is that its dependable revenue permits long-range planning, but raising it calls for direct participation by the director and members of his or her board. Success in obtaining substantial gifts is uncertain as compared with a professional marketing effort aimed at increasing memberships or improving admissions revenue. The immediate payoff may seem small relative to the effort. The aggregate market value of museum endowment in 1988 was \$2.4 billion, with 91 museums reporting that at least some portion of their revenue came from endowment income.

Despite the 1987 crash, endowment income tied earnings for second place as a source of revenue and grew faster than any other source, increasing over the period by \$29 million out of a total increase in museum revenue of \$106 million. Table 6.9 shows how endowment was divided among the nine groups. In this respect as in others, the nongovernment museums differ sharply from the government-supported museums. Except for the Smithsonian museums, which are well-endowed, government supported museums have far less endowment than the nongovernments and a far larger share of their endowments are earmarked for art acquisition.

Endowments generally come from private individuals, most often in the form of bequests. The strong, systematic difference between the two broad

Table 6.9 Market Value and Income of Museum Endowment by Principal Source of Revenue, 1986–88

Principal Source	Number of Museums	Endowment		Endowment Income (1986–88)	Endowment Income for	
		Total (1988)	Payout Rate (1988)		Operations (1986–88)	Acquisitions (1986–88)
Federal	6	\$ 153,714	2.9%	\$ 10,940	\$ 10,074	\$ 867
State	9	33,827	10.2%	8,339	3,698	4,641
Local	11	73,882	5.9%	14,698	8,032	6,666
Other government	4	6,108	21.4%	4,329	716	3,613
Corporate	4	47,921	3.0%	3,237	2,154	1,083
Private	23	201,223	7.6%	48,184	35,778	12,406
Endowment	15	819,331	7.2%	145,452	114,483	30,969
Earnings	6	158,437	5.9%	29,007	21,576	7,431
Various	34	898,360	5.9%	130,576	104,305	26,271
Total	112	\$2,392,804	6.4%	\$394,761	\$300,816	\$93,946

Note: Dollar figures in thousands. Income figures are three-year totals. Payout rates are for a 91-museum subset.

groups may result from museum decisions not to seek this form of support, or it may reflect donor reluctance to endow publicly supported institutions, except for well-defined purposes.

The endowment data reveal a sharp contrast between the Endowed and the Private groups. Similar in average spending, they are the extremes among the nongovernment museums in the average size of their endowments, and, excluding the Corporate group, the extremes in their spending on development. The Endowed group spends 7 percent compared with Private's 11 percent (or, in an even more striking comparison, 11 percent of the overhead budget compared with 19). The significance of this comparison lies in the mechanics of fund-raising. Annual membership drives, which rely on costly mass-marketing techniques, frequently are little better than break-even operations. They are nevertheless justified by the fact that they are the most effective means for discovering large individual donors, some of whom ultimately become the source of new endowments. Mass-marketing techniques are aimed at enrolling ordinary members at a modest annual fee, but opportunities are offered to enroll in special categories of membership at higher fees. Members in these special categories receive extra attention: invitations to special events, gifts which cannot be obtained by others and which identify them as exceptionally generous donors, and personal invitations from fund-raising volunteers (the Privates are served by more than ten volunteers per full-time employee, as compared with an overall average of four) and museum executives to enter even more rarified donor categories.

Over the three years, the average of all museum membership revenue grew by 27 percent. For the Privates it grew by 40 percent on a base that was already half again as large as the average for all museums; the Endowed managed just 9 percent growth on a base only one-half as large as the average. This suggests that in fund-raising, the Privates emphasize annual giving, possibly at the expense of endowed funds, while the Endowed do the opposite. As a result, the book value of the Private group's endowments (which is a better measure of success in raising new endowment than market value) grew by only 18 percent, while the Endowed grew by 21 percent. In annual giving, the Private group's 31-point excess over the Endowed's was achieved by spending half again as much on development and by giving up 3 percentage points on new endowment, possibly a worthwhile trade-off, but not necessarily. What makes this comparison interesting is that another group, the Various, surpassed both the Private and the Endowed groups in the growth of its endowment. The Various group's membership revenue grew by 14 percent and its endowment grew by 26 percent over the same three years, suggesting that in their vigorous pursuit of revenue on all fronts, they exploit the synergies available in the simultaneous search for expendable funds and endowment.

A rough calculation based on more detailed data than are presented here, comparing the Various group with the Private, suggests that its extra 8 points in book endowment growth produced more spendable endowment income in

one year than an extra 26 points of membership revenue, and it cost less to produce. A similar comparison suggests that the Various group's strategy, although it calls for slightly more development spending, produces far better results than the Endowment group's strategy.

The 1987 and 1988 surveys reported the market value of investments, so it is possible to calculate approximate individual payout rates. Using the 1988 data, which are the most complete, I calculated the payout rates for the 91 museums that reported both the market value of their endowments and endowment income. These museums accounted for 99 percent of reported endowment. Table 6.10 shows the results, both in terms of the number of museums employing a given payout rate and the total value of the endowment possessed by the museums in each payout rate class.

An important question that cannot be fully answered by the AAMD data is the extent to which the growth in endowment income is the result of raising payout rates to levels that are not sustainable. In 1988, more than three-quarters of the reporting museums, possessing about one-half of the reported endowment, paid out 5 percent or more of their endowment's market value as investment income. Whether or not this is a sustainable payout level depends on the real rate of return on their investments. The real rate of return on intermediate term treasury notes and bonds over long periods has generally been under 2 percent. There have been sustained periods in which the average real return on common stocks has been above 6 percent, but there have also been long periods in which the return has been much less than 6 percent, and even negative. Without knowing how well art museums manage their investments, it is safe to say that payouts above 5 percent almost certainly represent invasions of capital, a policy that may be helpful as a temporary measure in deal-

Table 6.10 Museum Endowment Payout Rates, 1988

Payout Rate (%)	Number of Museums	Market Value of Endowment	Percent of Market Value
Less than 3	5	\$ 349,072	14.7
3-5	12	753,277	31.6
5-7	24	581,984	24.4
7-9	18	476,817	20.0
9-11	15	44,947	1.9
11-13	2	8,390	0.4
13-15	2	10,386	0.4
15-17	2	131,673	5.5
17-19	2	24,601	1.0
19-21	1	1,353	0.1
Greater than 21	8	9,406	0.4
Total	91	\$2,382,500	100.0

Note: Dollar figures in thousands.

Table 6.11 Revenue from Private Contributions by Principal Source of Revenue, Three-Year Totals, 1986–88

Principal Source	Sum of All Revenue Sources	Total Private Contributions	Foundation Grants	Member Revenue	Other Private
Federal	\$ 185,289	\$ 3,849	\$ 1,472	\$ 578	\$ 1,799
Percent	100.0%	2.1%	0.8%	0.3%	1.0%
State	114,123	15,846	3,595	10,858	1,392
Percent	100.0%	13.9%	3.2%	9.5%	1.2%
Local	161,923	31,180	4,458	20,496	6,226
Percent	100.0%	19.3%	2.8%	12.7%	3.8%
Other government	35,079	3,996	987	1,757	1,252
Percent	100.0%	11.4%	2.8%	5.0%	3.6%
Corporate	29,127	5,384	1,171	1,476	2,737
Percent	100.0%	18.5%	4.0%	5.1%	9.4%
Private	275,903	162,256	75,674	59,789	26,793
Percent	100.0%	58.8%	27.4%	21.7%	9.7%
Endowment	191,718	31,453	9,649	14,257	7,547
Percent	100.0%	16.4%	5.0%	7.4%	3.9%
Earnings	91,946	16,260	2,368	11,417	2,475
Percent	100.0%	17.7%	2.6%	12.4%	2.7%
Various	638,813	194,491	43,561	115,264	35,666
Percent	100.0%	30.4%	6.8%	18.0%	5.6%
Total, all sources	\$1,723,922	\$464,715	\$142,935	\$235,893	\$85,887
Percent	100.0%	27.0%	8.3%	13.7%	5.0%

Note: Dollar figures in thousands.

ing with unforeseen adversity, but not one that can be a long-term solution to rising costs and declining revenue from other sources.

6.5.6 Private Contributions

Private contributions, accounting for 27 percent of museum revenue, are reported in the AAMD surveys in the three categories shown in Table 6.11. More than 90 percent of all the museums receive membership contributions and foundation gifts and grants. About two-thirds receive other private contributions, sums often directed to particular projects and in larger amounts than memberships. One museum of the twenty-three whose chief revenue source is private contributions receives all its revenue—more than half the foundation support granted to all museums in the group—from one foundation dedicated to its support. Eliminating that single museum changes the percentage distribution of private support for the group from 59, 27, 22, and 10 percent of the revenue sum to 50, 13, 26, and 12, a pattern of support consistent with the overall pattern, with about half of all private support coming in the form of memberships. When we examine expenditure patterns, we will see that this group devotes an almost 50 percent larger share of its budget to development

than the average of all museums, reflecting the decision of these museums to pursue private contributions. Note that the effect of the decision spills over; corporate contributions are the only other revenue source from which they derive more than their share of revenue, surpassing all groups except for the one whose chief source is corporate.

6.6 Expenditures

If revenue patterns are partly the result of choices museums make, some evidence of these choices will be found in the expenditure data. Heavy reliance on fund-raising calls for spending on development. A successful store or restaurant requires good management. Heavy visitor traffic raises the cost of security and maintenance. Museums that must compete for revenue in the marketplace may count their costs more carefully than museums that enjoy secure sources of funding. The AAMD survey data contain strong traces of these and similar relationships, suggesting that museums do not have their funding patterns thrust upon them by circumstances beyond their control, but rather choose among them, and so might diversify to reduce the risk involved in depending heavily on one source.

6.6.1 Compensation Expenditures

Museum payrolls over the three-year period amounted to more than \$900 million, 46 percent of their budgets. The fraction varies from a high among the Federal museums of just under 60 percent to a low for the Various museums of just over 40 percent. These figures are shown in table 6.12. Taking the five nongovernment groups together, compensation averages 43 percent of budget compared with 53 percent for the four government-supported groups.

Table 6.12 Museum Compensation Expenditures by Principal Source of Revenue, Three-Year Totals, 1986–88

Principal Source	Total Expenditure	Salaries	Benefits	Total Compensation	Compensation Percentage
Federal	\$ 177,253	\$ 93,120	\$ 12,116	\$105,236	59.4
State	118,521	40,096	10,700	50,796	42.9
Local	153,356	66,329	12,864	79,193	51.6
Other government	35,391	16,234	3,937	20,171	57.0
Corporate	29,549	10,910	2,128	13,038	44.1
Private	268,659	106,158	17,381	123,540	46.0
Endowment	209,792	89,287	14,338	103,625	49.4
Earnings	124,307	47,412	6,715	54,127	43.5
Various	915,689	321,779	60,766	382,545	41.8
All sources	\$2,032,517	\$791,325	\$140,946	\$932,271	45.9

Note: Dollar figures in thousands.

This disparity may be due to differences in the composition of the museum staff, salary scale, and head count. The data used here do not permit analysis that would allocate the difference. The Smithsonian museums pay according to civil service salary-and-benefit scales, and other government-supported museums may be affected by similar provisions. Among the nongovernment groups, the Endowment museums, enjoying the most dependable source of revenue, spend the largest fraction on compensation. The Earnings and Various groups, most likely to be disciplined by the marketplace, spend the least.

6.6.2 Overhead Expenditures: Development, Administration, and Operations

Allocation of costs among the seven spending categories shown in tables 6.13 is somewhat arbitrary. Museum directors vary greatly in the time they devote to development work. It is unlikely that proper allocation is made in every case between administration and development. Large, multicollection museums tend to departmentalize and to delegate administrative and development responsibilities to curators and their subordinates, transferring to their curatorial budgets costs that smaller museums would record in the overhead categories. Still, comparisons of expenditure and revenue patterns reveal relationships consistent with the idea that they shape one another. Take, for example, the relationship between development and private gifts. From the low of the Federal museums, which spend 1 percent of their budgets on development and get 2 percent of their revenue from private gifts, to the high of the Privates, spending 11 percent and getting 59 percent, the relationship between development spending and success in fund-raising is strong. The Corporate group comprises museums that enjoy special relationships with particular corporations, so spend only half the average on development. The Privates, which depend most heavily on contributions—especially memberships—spend 11 percent on development, a larger fraction than any other group and 50 percent above the average fraction for all museums.

The Federal, State, and Other Government groups, comprising museums that are part of larger institutions, spend the least on administration, while the Earnings museums, with multiple enterprises to manage, spend the most. Locally supported museums, unlike the Smithsonian museums and state university museums, are free-standing institutions and their administrative spending mirrors that fact. The Endowment group's 27 percent spending on administration, like its compensation ratio, may be a consequence of its relative insulation from market forces.

Operations, which includes security, energy, and other costs of building operation, displays such patterns less clearly, but there are some. The Federal group, with the largest fraction going to operations, must cope with the heaviest visitor traffic of any of the groups, 16 visitors per square foot over the three-year period as compared with traffic in the range of 5 to 7 for all other groups.

Table 6.13 **Museum Expenditures by Principal Source of Revenue, Three-Year Totals, 1986–88**

Principal Source	Total	Curatorial Service	Conservation	Educational Programs	Library	Operations	Administration	Development
Federal	\$ 165,969	\$ 54,293	\$ 5,800	\$14,959	\$ 7,038	\$ 61,615	\$ 20,515	\$ 1,749
State	95,262	31,594	2,877	4,960	1,364	32,040	15,496	6,929
Local	119,605	32,810	2,991	9,743	2,632	38,525	25,212	7,691
Other government	31,775	9,795	527	3,966	298	10,808	5,492	890
Corporate	21,119	6,863	634	761	925	6,020	5,160	755
Private	218,756	66,948	6,514	17,446	2,730	54,885	46,239	23,994
Endowment	164,382	36,745	5,944	10,738	6,866	47,752	44,697	11,640
Earnings	63,811	16,530	2,346	5,140	858	16,275	17,684	4,977
Various	562,541	180,880	9,611	30,224	8,150	181,227	103,823	48,626
All sources	\$1,443,219	\$436,458	\$37,245	\$97,936	\$30,861	\$449,148	\$284,319	\$107,252

Note: Dollar figures in thousands.

6.6.3 Program Expenditures: Curatorial Service, Conservation, Education, and Library

Tables 6.14 and 6.15 show how much museums in the nine groups spend on programs and how they distribute their program spending among the four activities that make it up. Federal museums, depending for certain overhead services upon the larger institutions of which they are a part, spend the largest fractions, 49 percent, on programs. The Endowed group spends the least, 37 percent. Among the rest, there is little variation from the 42 percent average.

Normalizing program percentages by calculating them as fractions of total program expenditures instead of the larger total that includes overhead costs, greatly reduces the variation in allocations and rearranges the rankings. For all nine groups, the bulk of program spending goes to curatorial service. A museum's curators are responsible for management of its collections. They recommend acquisitions, prepare exhibitions, perform research, and publish. When the public visits a museum, it is the curator's work they go (and often pay) to see. The Various group spends the largest fraction, 79 percent, on curatorial service, consistent with the observation that curators in this group bear more than average responsibility for administration and development. The Endowed museums, which spend the least on programs also devote the smallest fraction of program spending to this component, consistent with the idea that they are relatively independent of nonendowment revenue.

Conservation expenditures make up a small portion of museum budgets, 3 percent overall, and whatever meaning lies buried in the variations is not visible to the naked eye. The large expenditures on education by the Other Government and Earnings groups are not surprising. Other Government comprises museums that are part of state universities, and 20 percent of the revenue of the Earnings group comes from class tuition. The large library expenditure by the Corporate group is explained by the fact that two of the four own exceptional specialized collections and maintain fine libraries bearing on their specialization.

6.6.4 Capital Expenditures and Expansion of the Physical Plant

The AAMD surveys include data on total capital expenditures, but provide no details as to various uses. It is possible, from the data in Table 6.16 to construct a crude estimate of the fraction of the capital budget that went to expansion of the physical plant. Taking an approximate cost of \$100 per square foot, virtually all the Federal capital spending went to the 4.6 percent increase in total floor space, while for the Various group, just over one-tenth of the capital budget went to the building program.

There is a rough correspondence between the picture provided by table 6.16 and the overall financial fortunes of the several groups. Local museums (as I shall describe in Section 6.9, "Coping with Financial Problems") responded effectively to declining public support and were able to pursue aggressive

Table 6.14 **Percentage Distribution of Museum Expenditures by Principal Source of Revenue, Three-Year Totals, 1986–88**

Principal Source	Total (%)	Curatorial						
		Service (%)	Conservation (%)	Education (%)	Library (%)	Operations (%)	Administration (%)	Development (%)
Federal	100.0	32.7	3.5	9.0	4.2	37.1	12.4	1.1
State	100.0	33.2	3.0	5.2	1.4	33.6	16.3	7.3
Local	100.0	27.4	2.5	8.1	2.2	32.2	21.1	6.4
Other government	100.0	30.8	1.7	12.5	0.9	34.0	17.3	2.8
Corporate	100.0	32.5	3.0	3.6	4.4	28.5	24.4	3.6
Private	100.0	30.6	3.0	8.0	1.2	25.1	21.1	11.0
Endowment	100.0	22.4	3.6	6.5	4.2	29.0	27.2	7.1
Earnings	100.0	25.9	3.7	8.1	1.3	25.5	27.7	7.8
Various	100.0	32.2	1.7	5.4	1.4	32.2	18.5	8.6
All sources	100.0	30.2	2.6	6.8	2.1	31.1	19.7	7.4

Table 6.15

Distribution of Program Expenditures by Principal Source of Revenue, Three-Year Totals, 1986-88

Principal Source	Total Expenditures	Program Expenditures	Program Percentage	Percentage of Total Program Expenditure Spent on				
				Curitorial	Conservation	Education	Library	Total
Federal	\$ 165,969	\$ 82,091	49.5	66.1	7.1	18.2	8.6	100.0
State	95,262	40,796	42.8	77.4	7.1	12.2	3.3	100.0
Local	119,605	48,176	40.3	68.1	6.2	20.2	5.5	100.0
Other government	31,775	14,585	45.9	67.2	3.6	27.2	2.0	100.0
Corporate	21,119	9,184	43.5	74.7	6.9	8.3	10.1	100.0
Private	218,756	93,638	42.8	71.5	7.0	18.6	2.9	100.0
Endowment	164,382	60,293	36.7	60.9	9.9	17.8	11.4	100.0
Earnings	63,811	24,874	39.0	66.5	9.4	20.7	3.4	100.0
Various	562,541	228,864	40.7	79.0	4.2	13.2	3.6	100.0
All sources	\$1,443,219	\$602,500	41.7	72.4	6.2	16.3	5.1	100.0

Note: Dollar figures in thousands.

Table 6.16 **Museum Space and Capital Expenditures by Principal Source of Revenue, 1986–88**

Principal Source	Building Size (1986, Sq. Ft)	Change (1986–88, Sq. Ft)	Percent Change (1986–88)	Change in Square Feet, 1986–88, for			Capital Spending, 1986–88	
				Exposition	Store	Restaurant	Amount	Percent of Total Spending
Federal	1,676.3	77.4	4.6	74.1	1.4	0.0	\$ 8,171	4.6
State	1,151.6	35.6	3.1	27.1	–2.3	1.3	11,670	9.8
Local	1,408.4	222.0	15.8	159.3	1.3	–3.2	52,931	34.5
Other government	478.0	–10.0	–2.1	0.0	–0.2	0.1	6,196	17.5
Corporate	190.4	115.0	60.4	11.8	–0.9	0.0	12,683	42.9
Private	1,887.8	206.3	10.9	105.5	4.4	–1.1	11,297	4.2
Endowment	2,072.1	–81.4	–3.9	10.0	20.6	–3.7	13,474	6.4
Earnings	703.4	–13.3	–1.9	–23.2	1.3	0.6	24,377	19.6
Various	5,452.2	128.9	2.4	–63.9	–12.5	–17.8	103,562	11.3
Total	15,020.2	680.5	4.5	300.6	13.0	–23.8	\$244,361	12.0

Note: All figures except for percentages are in thousands. Capital spending in a three-year total.

building programs, in contrast to the State museums, whose financial problems were less tractable. Both the Earnings and Endowment groups reported decreases in space, and both of them suffered either slow growth or decreases in their principal sources of revenue. The Various group, financially the healthiest, seems to pursue a slow and steady policy.

6.7 The Collection

The least satisfactory data produced by the surveys have to do with the value of the art owned by museums. The most recent two surveys asked both for the face value of the fine arts insurance carried by the museum and the fraction of total value of the collection this number represented. The 1988 data contain 94 answers to the first of these two questions and 73 answers to the second, making it possible to calculate a rough valuation of the collections for two-thirds of the museums. The missing third includes all the Smithsonian museums and many of the largest museums. Some self-insure, some are insured by a larger organization of which they are a part, and others answered the first question but not the second, probably on grounds that there is no reasonable way to calculate the value of a collection so large that placing it on the market would profoundly affect market prices. Because the collections owned by art museums constitute the bulk of their assets—something in the neighborhood of 90 percent—I have attempted to reach an estimate of their total value. The estimates obviously are crude, but plausible. Table 6.17 gives the results. The method for calculating the estimated values in table 6.17 is as follows:

1. For the 73 museums that answered both questions, calculate the implied values of the collections and sum. Although the table shows these sums for the individual groups, only the overall sum was used, not the individual sums. In some groups almost every museum answered both questions, but in others many responses were missing. None of the Smithsonian museums responded, so that the insurance value shown for that group is the insured value of the collection of one small university museum. Almost all the Privates answered both questions. Total insured value was \$3.7 billion. Question two asked for the ratio of insured to total value. Answers to question 2 ranged all the way from 1 percent to 100 percent. Using this fraction, the insured face values were grossed up and summed, giving a total value for these 73 collections of just over \$12 billion. But that left one-third of the museums unaccounted for.
2. The 73 museums that answered both questions in 1988 accounted for just over one-third of total expenditures for all 112 museums. The collection value for the missing one-third was calculated by assuming that as a group the value of their collections was proportional to their total spending, giving a total value for all collections of just over \$32 billion, the number

Table 6.17 Insured and Estimated Value of Art Collections by Principal Source of Revenue, 1988

Principal Source	Number of Museums	Face Value of Insurance	Estimated Value of Art	Average Estimate
Federal	6	\$ 20,000	\$ 2,756,137	\$459,356
State	9	168,425	1,793,851	199,317
Local	11	449,960	2,312,875	210,261
Other government	4	350,360	584,415	146,104
Corporate	4	138,500	427,144	106,786
Private	23	946,083	4,362,786	189,686
Endowment	15	421,500	3,433,696	228,913
Earnings	6	283,057	2,117,559	352,926
Various	34	999,167	14,516,936	426,969
All sources	112	\$3,777,052	\$32,305,400	\$288,441

Note: Dollar figures in thousands.

that appears in table 6.17. This sum was portioned out to the nine groups in proportion to their total spending.

The value of the collections may be half the estimated amount or three times. Whatever it is, it dwarfs the value of the other two major museum assets, endowments—\$2.4 billion—and buildings—\$2.3 billion. If the financial statements of museums looked like ordinary financial statements, the value of the collection would overwhelm the rest of the assets side of the balance sheet. But art museums do not include the value of their collections in their balance sheets. The explanation lies in the sentence quoted earlier from the AAMD pamphlet, “Professional Practices in Art Museums:” “Deaccessioning should be related to [collection] policy rather than to exigencies of the moment, and funds obtained through disposal must be used to replenish the collection.” The collection is not a fungible asset.

Imagine that an art museum owns a collection worth \$100 million, but that the collection is housed so miserably as to severely limit public access to it and even to place its preservation at risk (through inadequate climate control, poor security, etc.). By selling off about \$10 million worth of its collection, it could build a better than average building to house, exhibit, and protect the remainder. Will the museum do so? Possibly, but not with the blessing of the Association of Art Museum Directors. The prohibition may seem senseless, but there is sense to it, nevertheless. Table 6.18 shows that over the three-year period, art museums received \$280 million in gifts of art and purchased another \$267 million, of which \$94 million came from endowed funds especially earmarked for that purpose. In addition, an unknown portion of the remaining \$173 million worth of purchased art may have been paid for with expendable gifts expressly intended for that purpose. Were it possible for a museum to sell art from its collection to pay current bills or fund capital proj-

Table 6.18 Value and Number of Purchased and Donated Works of Art by Principal Source of Revenue, Three-Year Totals, 1986–88

Principal Source	Purchased Art		Endowed Purchases	Donated Art	
	Value	Number		Value	Number
Federal	\$ 29,090	1,057	\$ 867	\$ 16,476	2,126
State	8,145	998	4,641	7,794	2,519
Local	22,511	2,605	6,666	23,687	8,688
Other government	3,623	271	3,613	4,706	2,125
Corporate	3,595	950	1,083	2,739	2,221
Private	50,436	2,992	12,406	43,094	29,987
Endowment	37,926	7,176	30,969	19,649	5,514
Earnings	9,052	658	7,431	20,771	2,571
Various	102,420	48,554	26,271	141,329	22,020
Total	\$266,800	65,261	\$93,946	\$280,246	77,771

Note: Dollar figures in thousands.

ects, the intentions of donors who require that their gifts enhance the collection might easily be frustrated. The director of such a museum would have difficulty providing necessary assurances to potential donors of art or of funds for the purchase of art. The prohibition against the sale of art except to allow the purchase of more art solves this problem, but raises another in its place.

Preserving and exhibiting art costs money. The mere expansion of the collection imposes growing budgetary requirements for storage space, security, climate control, conservation, and insurance. Exhibiting a growing collection calls for expanded curatorial service and, possibly, new exhibition space. A museum that succeeds in attracting gifts of art without at the same time attracting the funds needed to care for it and exhibit it, finds itself under increasing budget pressure.

6.8 The Effects of Size

Of the nine largest art museums in the United States, five are in the Various group that draws its revenue broadly from a variety of sources. These five museums—the Metropolitan Museum of Art, the Chicago Art Institute, the Museum of Modern Art, the Los Angeles County Museum of Art, and the Philadelphia Museum of Art—account for about 75 percent of the aggregate expenditures of the group. Table 6.19 gives several measures that show how large the big five are relative to the smaller twenty-nine. Tables 6.20 and 6.21 compare the revenue and expenditure patterns of the two subgroups. Comparison of the big five with the twenty-nine smaller museums in the group supports the idea that classification on the basis of revenue source uncovers homogeneous patterns of finance and budgeting. Aside from various measures of sheer size, such as total spending, building size, and attendance, the two

Table 6.19 **Characteristics of Museum in the Various Group, Classified by Spending Level, 1986–88**

Total Spending	Number of Museums	Total Revenue	Total Expenditure	Full-Time Employees (1988)	Buildings (Sq. Feet) (1988)	Attendance	Endowment Market Value (1988)
\$50 million or more	5	\$734,111	\$698,640	3,608	3,435,230	23,356	\$662,665
Percent	14.7%	76.6%	76.3%	75.2%	61.6%	65.2%	75.2%
Less than \$50 million	29	\$224,536	\$217,049	1,188	2,145,843	12,462	\$218,179
Percent	85.3%	23.4%	23.7%	24.8%	38.4%	34.8%	24.8%
Total	34	\$958,646	\$915,689	4,796	5,581,073	35,818	\$880,843
Percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Attendance and all dollar figures are in thousands and, except for endowment, are three-year totals.

Table 6.20

Principal Revenue Sources of Museums in the Various Group, Classified by Spending Level, Three-Year Totals, 1986-88

Total Spending	Total	Federal	State	Local	Other Government	Corporate	Private	Endowment Income	Earnings
\$50 million or more	\$438,855	\$6,096	\$9,446	\$89,801	\$ 704	\$26,583	\$135,333	\$70,218	\$100,675
Percent	100.0%	1.4%	2.2%	20.5%	0.2%	6.1%	30.8%	16.0%	22.9%
Less than \$50 million	199,958	9,122	6,085	32,374	1,512	16,671	59,159	34,087	40,950
Percent	100.0%	4.6%	3.0%	16.2%	0.8%	8.3%	29.6%	17.0%	20.5%

Note: Dollar figures in thousands.

Table 6.21 Spending Patterns of Museums in the Various Group, Classified by Spending Level, Three-Year Totals, 1986–88

Total Spending	Total Expenditures	Curatorial Service	Conservation	Educational Programs	Library	Operations	Administration	Development
\$50 million or more	\$381,709	\$121,915	\$5,283	\$18,896	\$5,622	\$138,382	\$65,063	\$26,549
Percent	100.0%	31.9%	1.4%	5.0%	1.5%	36.3%	17.0%	7.0%
Less than \$50 million	180,832	58,965	4,328	11,328	2,528	42,846	38,761	22,077
Percent	100.0%	32.6%	2.4%	6.3%	1.4%	23.7%	21.4%	12.2%

Note: Dollar figures in thousands.

groups are remarkably similar in their revenue and spending patterns. For example, both groups receive one-quarter of their revenue from government sources—with the small museums doing better at the federal level and slightly worse at the local level than the large museums, but conforming well to the group pattern in both cases. Both groups receive three-quarters of their revenue from private sources, with the small museums getting a larger share from contributions and a smaller share from earnings than the large museums, but again, conforming to the group pattern.

The division between overhead and program budgets is almost identical for the two groups, 60 percent to 40 percent. The small museums spend more of their overhead budget on administration and development and less on operations. The program budgets of the two groups are nearly identical.

Four other groups each include one of the large museums: Federal, the National Gallery of Art; State, the Detroit Institute of Arts; Endowed, the Winterthur Museum and Garden; and Earnings, the Boston Museum of Fine Arts. Each accounts for a large fraction of its group's spending (ranging from about three-quarters for Boston to about one-fifth for Winterthur), and each conforms almost as well to the revenue and spending patterns of its group as the five various museums do to theirs.

6.9 Coping with Financial Problems

The AAMD survey museums, during the 1986–88 period, were adding space at an annual rate of 2.3 percent, slightly less than the 4 percent average annual rate that has quadrupled U.S. art museum space since 1950; employment was growing at about 6 percent; payroll, 10 percent; and total spending, 9 percent. Over the same two-year span, the Consumer Price Index was rising at a 3.8 percent annual rate and wages were rising at 2.8 percent. Program budgets were growing slower than overhead budgets, with the curatorial budget—which claims the lion's share of program spending—growing at a rate of just under 7 percent. In all but one of these measures every group showed at least some growth.

Not all groups fared equally well. Of the 680,000 square feet of building space added between 1986 and 1988, one-third went to the Locals, another third went to the Privates, most of the remaining one-third was divided between the Corporate and Various groups, and the endowed museums reported shrinkage of about 4 percent. While spending was up for all groups, the rates of increase ranged from a low of under 2 percent for the Corporates to a high of 15 for the Locals. For the three-year period, the 112 museums reported total budget surpluses amounting to \$62 million on total spending of more than \$2 billion. But at least one group reported a budget deficit in each of the three years, five groups reported deficits in one or another of the three years, and more than half the individual museums reported at least one of its three annual budgets in the red.

A great deal of attention is focused on the role of the federal government in contributing to the distress many art museums suffer. Decreases in federal funding have adversely affected almost all museum groups. For most, the effect on the overall budget was small because, except for the Smithsonian museums, no group received more than about 4 percent of its revenue from this source. Overall, federal funding for art museums rose about 8 percent from 1986 to 1988; this figure reflects a 12-percent increase for the Smithsonian art museums, a 4-percent increase in art museum funding from the National Endowment for the Arts, a 42-percent decrease from the National Endowment for the Humanities, and a 20-percent decrease from the Institute of Museum Services.

We have, then, a picture of modest growth, unevenly distributed among the museum groups, and frequently recurring financial difficulties to be dealt with. What are the sources of the difficulties, and how do museums cope with them? Museums, concentrated as they are in the largest metropolitan areas, recruiting professional staff in a national market, and purchasing works of art in an international market, tend to face similar rising costs, but because they differ greatly from one another in their funding patterns, the effect of the slowing growth or decline of a particular source falls heavily on some and lightly on others. They do not all respond in the same way. A common financial problem facing them all is that, at all levels of government, support for art museums is growing too slowly to accommodate rising costs. The responses of the State and Local museums provide an interesting contrast. They are similar in size and in many of the characteristics we have examined, but in one crucial respect they differ. All but one of the nine State museums are located in metropolitan areas, with a population in 1984 of 600,000 or less, while all but one of the eleven Local museums are in metropolitan areas with population of 900,000 or more. Thus they differed greatly in their access to private alternatives to their chief funding sources.

Local government's support for the Local museums grew at about a 7 percent annual rate. Federal, other government, and endowment revenue all fell, but they were small to begin with. To sustain a far greater rate of budget growth (between 11 and 15 percent, depending on which of two conflicting aggregates is used for the calculation) than local support would allow, the Locals turned to private gifts for additional support and were successful on almost every front, more than doubling private gift revenue between 1986 and 1988, and raising it from 14 percent of their revenue to 24 percent, while their local government revenue fell from above 53 percent of their revenue to below 50 percent. In their membership drives, rather than increasing the number of members, they concentrated on increasing the size of membership gifts and raised it from an average of \$36 to \$68. Even more effective, they doubled their revenue from private foundation grants and tripled the amount of large private gifts.

At the same time, state government's support for State museums grew at about 3.5 percent, half the Local rate. Like the Locals, they lost some of their support from other sources—federal, local, other government, and corporate—but unlike the Locals, there was not much they could do to make up their revenue shortfalls. They, too, made an effort to cultivate private gifts, but were successful only in the membership portion, starting from a much smaller base, and actually lost support in the form of private foundation grants and large private gifts. They were helped slightly by the fact that the market value of their endowments and the spendable income it produced doubled, but publicly supported museums have relatively small endowments, and even doubled they do not amount to much. How then are the state museums coping with their slow revenue growth? Between 1986 and 1988, they limited their annual spending growth to about 4 percent and dipped into reserves. They shrank their curatorial spending by about 5 percent, while the Locals grew by about two-thirds. The States limited expenditure growth in most program and all overhead categories, added very little new space, and purchased about one-third as much art as the Locals (\$8 million versus \$23 million). It is impossible to tell from the AAMD data whether these are long-term trends or whether 1986 through 1988 just happened to be three years that were good for the Locals and bad for the States.

Shrinking public support for museums is not the only cause of financial distress. Though the 1986–1988 data do not provide evidence for it, museums are vulnerable to the vicissitudes of local and national economic performance. Also, aspects of public policy other than direct support—primarily tax policy—affect museums. Museum store revenue fell dramatically in the three groups in which the store dollar volume was largest: Endowment, Earnings, and various. Between 1986 and 1988, reported store earnings fell 37, 19, and 46 percent for these three groups. These decreases may have been fluctuations of the sort that all retailers experience from time to time, and they may have been due partly to accounting changes in response to, or in anticipation of, tougher enforcement of the unrelated business income tax. Taking them at face value, museum earnings, on average, did not grow at all between 1986 and 1988, and for two groups, Earnings and Endowment, they fell by 13 and 17 percent, a far more serious blow to the Earnings group because half its revenue came from that single source as compared with Endowment's 15 percent. The Earnings museums maintained a 13-percent annual growth rate in their spending by increasing private giving at a 13-percent annual rate and by reducing their annual surplus from about \$2.5 million to almost zero. Adding to the misery of the Endowment group's loss of earnings, they suffered a far more serious 17-percent decrease in private giving. They dealt with the problem and maintained a 14-percent growth rate by increasing their endowment payout from just over 5 percent to just over 7 percent, probably not a long-run, sustainable, real rate of return. For the various group, the decrease in

museum store earnings was offset by increases in earnings from other sources—admissions, tuition, and fees—so that total earnings actually rose by 2 percent. Diversification seems to pay.

Another aspect of tax policy seems to have hit museums especially hard during the period under examination. The 1986 Tax Reform Act, by lowering the highest marginal income tax rates, by tightening the procedures for determining the value of contributions in kind, and by limiting deductibility to original cost rather than appreciated fair market value, had a severely depressing effect on donations of works of art to museums. Coming at a time when the rising level of fine art prices was already a burden for acquisition budgets, the immediate effect was dramatic. Between 1986 and 1988, the value of donated art fell 54 percent.

The decreases were felt by all but three of the nine groups, and in the groups that escaped the decrease, large 1988 gifts to a single museum in each of the three groups made the difference between plus and minus. The result of the change in tax policy may have been both an acceleration of giving in 1986, in anticipation of the change, and a permanent decrease in giving, in response to the change. The waters are slightly muddied by the fact that one museum received a single gift in 1986 that accounted for almost one-third of the value of all donated art in that year. I do not know whether anticipation of the tax change affected the timing of that impressive gift or the decision to make it. Deletion of this one gift from the data changes the magnitude, but not the direction of change, even in the group to which the fortunate museum belongs. Excluding it, total donations of art fell by 25 percent instead of 54 percent, and for the particular group, 52 percent instead of 80 percent.

6.10 Conclusion

Of the many cultural institutions striving for stable growth, art museums are among the more fortunate because their opportunities to substitute new funding sources for old are more numerous. The daily traffic of a museum combined with the expert knowledge resident within its walls is what enables the museum store to make its 10 percent contribution to the revenue of museums that depend primarily on earnings. It is the staff's expert knowledge that makes it possible for the museum to conduct classes that bring another 20 percent.

Most orchestras and opera companies have little to sell beyond the sound of their music. The most valuable assets they employ, the skills of their musicians, belong to the musicians, not to the institutions. A museum, in hard times, may trim one or another of its programs and lay off personnel without immediate visible effect on its principal public function, an option not available to the performing arts. The contribution of memento sales to an orchestra's revenue is trivial, and musical tuition income goes to the musicians, not to the institution.

Important to the growth of a museum is the expansion of its collection. Rich connoisseurs of music may bestow an occasional fiddle—again, most often upon an individual performer, not the institution—but nothing in the musical world matches the benefaction of the rich collector of fine art whose greatest wish is to share his or her treasures with the public. In the three years from 1986 to 1988, U.S. museums were given \$280 million in art, more than half their total acquisitions in those years.

Museums, in their efforts to achieve stable growth, might explore the advantages of diversifying their sources of revenue, as about one-third of them, the group I have called Various, now do. The AAMD data cover too brief a period and are too shaky to prove the superiority of the diversification strategy followed by museums in the Various group, but there are two shreds of evidence. First, except for the Federal group, the average Various museum is at least twice as large as the average member of any other group, a fact possibly, but not probably, due simply to greater age. Second, the Various group exhibits sustainable rates of growth in every program expenditure category, ranging from 3-percent annual growth for conservation to 10-percent annual growth in the library budget. In all the other groups but two, at least one program was shrinking while another was growing—at a rate too great to sustain and suggestive of a need to repair a growing deficiency.

Not every museum will have all avenues of diversification open to it, and some of them will choose, for perfectly sound reasons, not to diversify. A museum created by the action of state government in a metropolitan area too small to provide adequate private support may have little choice but to suffer the pains of declining levels of state support. A museum created exclusively for the purpose of displaying a particularly important private collection and adequately endowed for that purpose may have little reason to seek other sources of revenue. Still, the data suggest that many museums do have such choices to make and, when pressed, they do explore new possibilities. Particularly striking in this respect are the museums in the Local group which in many respects seem to be moving toward revenue source patterns that resemble the various patterns.

My examples of museum responses to adverse revenue shifts depend for their merit on the reliability that remains when one set of moderately unreliable numbers is subtracted from another and then taken as a percentage. The examples make sense, but it would be easy to find other examples that make less sense. They should be taken, therefore, not so much as representations of what happened, but as illustrations of the potentialities suggested by patterns discernable in the AAMD data.

Appendix A

Association of Art Museum Directors Statistical Survey Questionnaire

Association of Art Museum Directors 1988 Statistical Survey

In completing this part of the survey, please use data from your most recently completed fiscal year. The analysis of data supplied in this portion of the survey is designed to permit each museum to compare itself with other similar institutions. The results of the survey will be published question by question with responses sorted numerically in descending order.

It is important that an entry be made for each element of requested data. Do not leave blank lines. If, for example, you do not have any income from a particular source, enter "0". If data is not available, please enter "N.A." Enter financial data rounded to the nearest whole dollar.

1. Facilities, Memberships and Attendance (see note)
 - A. Total Building Space _____ square feet
 - B. Exhibition Space _____ square feet
 - C. Museum Store Space _____ square feet
 - D. Food Service Space _____ square feet
 - E. Total Number of Individual/
Family Memberships _____
 - F. Total number of corporate
Membership/Contributors _____
 - G. Total Number of Volunteers _____
 - H. Annual Attendance (FY 1987) _____

2. Financial Data - Income, (FY'87) (see note)
 - A. Total Current Operating Income (see note) \$ _____
 - B. Government Support (see note)
 - Federal Total \$ _____
 - 1. NEA \$ _____
 - 2. NEH \$ _____
 - 3. IMS \$ _____
 - 4. Other \$ _____
 - State or Province \$ _____
 - County \$ _____
 - City \$ _____
 - Other government \$ _____
 - C. Private Support, including membership income (see note)
 - Corporate contributions \$ _____
 - Foundations \$ _____
 - Individual/Family
memberships & contributions \$ _____
 - Other private support \$ _____
 - D. Investment Income (see note)
 - For General Operations \$ _____
 - For acquisitions of art \$ _____
 - E. Earned Income, Net (see note)
 - Admissions \$ _____
 - Concerts, Lectures, Films \$ _____
 - Museum Store \$ _____
 - Restaurant \$ _____
 - Class Tuitions \$ _____
 - Special Events \$ _____
 - Participation Fees \$ _____
 - Other Earned Income \$ _____

Note: Please refer to "Instructions and Definitions" before completing survey.

3. FINANCIAL DATA - EXPENDITURE (FY '87 (see note)

- A. Total Current Operating Expenditures (see note) \$ _____
- B. Personnel (see note)
 - Total salaries \$ _____
 - Total benefits \$ _____
- C. Cost of Program and Support Activities. (Include salaries but exclude space allocation.) (see note)
 - Curatorial, Exhibitions \$ _____
 - Conservation \$ _____
 - Education \$ _____
 - Library \$ _____
 - Security \$ _____
 - Energy (HVAC, lighting) \$ _____
 - Administration \$ _____
 - Development \$ _____
 - Building Maintenance \$ _____
 - Capital Improvements/Additions \$ _____
- D. Surplus / (Deficit) (see note)
 - FY 1987 Surplus (Deficit) \$ _____
 - Accumulated Reserve (Deficit) \$ _____

4. ACQUISITIONS (see note)

- A. Cost of Art Purchased in FY 1987 \$ _____
 Number of objects: _____
- B. Value of Art Donated in FY 1987 \$ _____
 Number of objects: _____
- C. Amount of insurance carried on collections \$ _____
- D. Percent of estimated total value of collection covered by insurance _____ %

5. ENDOWMENT

- A. Current Book Value \$ _____
- B. Current Market Value \$ _____

Note: Please refer to "Instructions and Definitions" before completing survey.

Please do not write in this space AMD Code # MSA Code	<u>Please return questionnaire to:</u> Association of Art Museum Directors P.O. Box 941 Dayton, Ohio 45401
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INSTRUCTIONS AND DEFINITIONS
1988 AAMD STATISTICAL SURVEY1. FACILITIES, MEMBERSHIPS AND ATTENDANCE

- A. Use square footage for all enclosed building areas, regardless of function.
- B. Use square footage for areas used for display of permanent collection and/or temporary exhibitions.
- C. Use square footage for all space devoted to store (sales, storage, etc.)
- D. Use square footage for all space devoted to restaurant (dining, serving, kitchen, etc.)
- E, F. Use "membership units": a family membership = 1 unit; an individual membership = 1 unit, a corporate membership = 1 unit.
- G. Use total number of all volunteers (Trustees, Education Volunteers, Fund Raising Volunteers, etc.)
- H. Enter the total number of visitors for all programs, including those participating in extension/outreach programs.

2. FINANCIAL DATA - INCOME

A. Include all current operating income. Current income is defined as income received and reported during the current fiscal year. Do not include deferred income (pledges or prepaid commitments for future years). Do not include income for Capital projects such as building or major renovation.

NOTE: The figure entered here may or may not equal the sum of the following income areas due to differences in internal reporting procedures for restricted funds.

B. Include only dollar grants or contributions. Do not include in-kind contributions such as utilities, maintenance services, etc.

C. Include all private, contributed income including membership fees, program sponsorships and other funds donated by individuals, foundations or corporations whether the donations are restricted or unrestricted, so long as these donations meet the definition of Current funds.

D. Include income from all investments (endowment funds as well as funds invested in short term certificates of deposit). Do not include gains or losses on sales of investments unless these are "realized" gains that were treated as current income.

"General Operation" includes all income, whether or not restricted, for all purposes other than the acquisition of works of art.

"For Acquisitions of Art" should include all income from investments designated or restricted as acquisitions funds, whether these are "operating" or "restricted" funds.

E. Report all earned income as net of direct expenses (eg. wages) but do not net out space allocation or utilities.

"Admissions" should include both fees charged to enter the museum and fees charged to enter special exhibitions.

"Class Tuitions" should include tuitions and other charges made in conjunction with classes, workshops and other organized ancillary activities such as collector's groups, unless these are included above as categories of membership.

"Special Events" should include revenue from fundraisers such as benefit balls.

"Participation Fees" should include revenue from exhibitions organized by the reporting institution.

"Other earned income" should include such miscellaneous revenue as building rentals.

3. FINANCIAL DATA - EXPENDITURES

A. Include all current operating expenditures. Do not include depreciation. In cases where a parent, or other institution (eg. city or university) provides services such as security, utilities, etc. please estimate the expenditures if you cannot obtain specific amounts.

NOTE: The figure entered here will not equal the sum of the following expense areas due to differences in internal reporting procedures for restricted funds and because wage information is duplicated in the Program and Support entries.

B. "Total Salaries" should include wages paid to part time and hourly employees as well as full time, salaried employees. Cost of services provided on a contractual basis (eg. Security, Accounting) should also be included.

"Total Benefits" should include any amount paid by the employer on such benefits as insurance, pension or retirement programs. Do not include FICA (Social Security). Do not include vacation, holidays or sick leave.

C. "Cost of Program and Support Activities" should include all allocable direct expenditures for each department/function such as wages, supplies, travel, insurance, exhibition expense, etc. Do not pro-rate support services, utilities or space utilization among program areas.

"Curatorial, Exhibitions" should include the Registrar's office.

"Development" should include all fundraising expenses including those of the Membership office. Include Public Relations and Marketing expenses in this category.

"Administration" should not include building maintenance, energy or security since these amounts are requested separately. Do not include expenditures already netted out of revenue areas such as store or restaurant.

"Capital Improvements" should include any building or renovation program.
Note: in most cases the income enabling these expenditures will not have been reported in part 2 (above) since such income is not generally treated as "operating" income.

D. "Surplus" and "Deficit" should be defined in terms of Current Operating Funds after any transfers to or from restricted funds but before any adjustments for capital additions. Changes in Property Funds (depreciation or capitalized expenses) or Endowment Funds (contributions and/or realized or unrealized investment gains or losses) should not be reflected in this item.

"Accumulated Surplus / (Deficit)" should be reported as the sum of any unappropriated fund balance plus working capital or cash reserve funds.

4. ACQUISITIONS

A. "Cost of Art Purchased" should include the total dollars spent on acquisitions from all sources whether "operating" or "restricted" (endowment income, contributed funds or the proceeds of deaccessions or fundraisers for this purpose). This item may include costs related to acquisition such as shipping and insurance if your institution's accounting system normally allocates such expenses to acquisitions.

B. "Value of Art Donated" may include either the value of a gift established by the donor at the time of the gift or the value of a gift established by your museum for insurance purposes in lieu of any value stated by the donor.

C. "Amount of Insurance Carried on Collection" - state the total amount of insurance coverage carried. If self-insured, state the amount of reserve carried.

D. "Percent of Total Value of Collection Covered by Insurance" - Divide limits of coverage of permanent collection by the total current market value of the collection. Total current market value may be estimated.

5. ENDOWMENT

include funds treated as endowments, whether they are permanent, term or quasi endowments.

Appendix B

U.S. Art Museums, Grouped According to Size of Metropolitan Area in Which They Are Located

Ten Largest Metropolitan Areas

Asia Society Galleries, New York, NY
 Brooklyn Museum, Brooklyn, NY
 Frick Collection, New York, NY
 Metropolitan Museum of Art, New York, NY
 Museum of Modern Art, New York, NY
 New Museum of Contemporary Art, New York, NY
 Newark Museum, Newark, NJ
 Pierpont Morgan Library, New York, NY
 Whitney Museum of American Art, New York, NY
 California State University Art Museum, Long Beach, CA
 J. Paul Getty Museum, Malibu, CA
 Los Angeles County Museum of Art, Los Angeles, CA
 Newport Harbor Art Museum, Newport Beach, CA
 Art Institute of Chicago, Chicago, IL
 Chicago Museum of Contemporary Art, Chicago, IL
 Institute of Contemporary Art, Philadelphia, PA
 Pennsylvania Academy of the Fine Arts, Philadelphia, PA
 Philadelphia Museum of Art, Philadelphia, PA
 Asian Art Museum of San Francisco, San Francisco, CA
 Fine Arts Museums of San Francisco, San Francisco, CA
 San Francisco Museum of Modern Art, San Francisco, CA
 University Art Museum—Berkeley, Berkeley, CA
 Detroit Institute of Arts, Detroit, MI
 University of Michigan Museum of Art, Ann Arbor, MI
 Cranbrook Academy of Art Museum, Bloomfield Hills, MI
 DeCordova and Dana Museum, Lincoln, MA
 Harvard University Art Museums, Cambridge, MA

Boston Museum of Fine Arts, Boston, MA
 Houston Contemporary Arts Museum, Houston, TX
 Houston Museum of Fine Arts, Houston, TX
 National Museum of American Art, Washington, DC
 National Gallery of Art, Washington, DC
 National Museum of African Art, Washington, DC
 Hirshhorn Museum and Sculpture Garden, Washington, DC
 National Portrait Gallery, Washington, DC
 Amon Carter Museum, Fort Worth, TX
 Dallas Museum of Art, Dallas, TX
 Modern Art Museum of Fort Worth, Fort Worth, TX

Second Ten Metropolitan Areas

Center for the Fine Arts, Miami, FL
 Akron Art Museum, Akron, OH
 Cleveland Museum of Art, Cleveland, OH
 Saint Louis Art Museum, St. Louis, MO
 Washington University Gallery of Art, St. Louis, MO
 High Museum of Art, Atlanta, GA
 Baltimore Museum of Art, Baltimore, MD
 Walters Art Gallery, Baltimore, MD
 Minneapolis Institute of Arts, Minneapolis, MN
 University of Minnesota Art Museum, Minneapolis, MN
 Walker Art Center, Minneapolis, MN
 Tacoma Art Museum, Tacoma, WA
 Seattle Art Museum, Seattle, WA
 La Jolla Museum of Contemporary Art, La Jolla, CA
 San Diego Museum of Art, San Diego, CA
 Montclair Art Museum, Montclair, NJ
 Tampa Museum, Tampa, FL

Third Ten Metropolitan Areas

Denver Art Museum, Denver, CO
 Phoenix Art Museum, Phoenix, AZ
 Cincinnati Art Museum, Cincinnati, OH
 Columbus Museum of Art,
 Columbus, OH
 Taft Museum, Cincinnati, OH
 Milwaukee Art Museum,
 Milwaukee, WI
 New Orleans Museum of Art, New
 Orleans, LA
 Chrysler Museum, Norfolk, VA
 Albright-Knox Art Gallery, Buffalo, NY
 Indianapolis Museum of Art,
 Indianapolis, IN
 San Antonio Museum of Art, San
 Antonio, TX

Fourth Ten Metropolitan Areas

Wadsworth Atheneum, Hartford, CT
 International Museum of Photography,
 Rochester, NY
 J. B. Speed Art Museum,
 Louisville, KY
 Memphis Brooks Museum of Art,
 Memphis, TN
 Dayton Art Institute, Dayton, OH
 Birmingham Museum of Art,
 Birmingham, AL
 Rhode Island School of Design
 Museum, Providence, RI
 Clark Art Institute, Williamstown, MA
 Virginia Museum of Fine Arts,
 Richmond, VA
 Yale University Art Gallery, New
 Haven, CT

Fifth Ten Metropolitan Areas

Gilcrease Institute of American Art,
 Tulsa, OK
 Philbrook Art Center, Tulsa, OK
 Worcester Art Museum, Worcester, MA
 Everson Museum of Art, Syracuse, NY
 Allentown Art Museum, Allentown, PA
 Huntington Art Gallery, Austin, TX
 Laguna Gloria Art Museum, Austin, TX
 Toledo Museum of Art, Toledo, OH
 Ackland Art Museum, Chapel Hill, NC

North Carolina Museum of Art,
 Raleigh, NC
 Joslyn Art Museum, Omaha, NE
 Tucson Museum of Art, Tucson, AZ
 Delaware Art Museum,
 Wilmington, DE
 Winterthur Museum and Gardens,
 Winterthur, DE

Sixth Ten Metropolitan Areas

Flint Institute of Arts, Flint, MI
 Elvehjem Museum of Art, Madison, WI
 Madison Art Center, Madison, WI
 University of Kentucky Art Museum,
 Lexington, KY
 Santa Barbara Museum of Art, Santa
 Barbara, CA
 Munson-Williams-Proctor Art Institute,
 Utica, NY
 Princeton Art Museum, Princeton, NJ
 Lyman Allyn Museum, New
 London, CT
 Ringling Museum of Art, Sarasota, FL
 Telfair Academy of Arts and Sciences,
 Savannah, GA
 Portland (Maine) Museum of Art,
 Portland, ME

Six Smallest Metropolitan Areas

Huntsville Museum of Art,
 Huntsville, AL
 Sheldon Memorial Art Gallery,
 Lincoln, NE
 Cedar Rapids Museum of Art, Cedar
 Rapids, IA
 Snite Museum, Notre Dame, IN
 Georgia Museum of Art, Athens, GA
 Spencer Museum of Art, Lawrence, KS

Nonmetropolitan Areas

Buffalo Bill Historical Center,
 Cody, WY
 Corning Museum of Glass,
 Corning, NY
 Herbert F. Johnson Museum of Art,
 Ithaca, NY
 Hood Museum of Art, Hanover, NH
 Southern Illinois University Museum,
 Carbondale, IL

Appendix C

U.S. Art Museums, Grouped According to Principal Source of Revenue

Federal Government

Hirshhorn Museum and Sculpture Garden, Washington, DC
 National Gallery of Art, Washington, DC
 National Museum of African Art, Washington, DC
 National Museum of American Art, Washington, DC
 National Portrait Gallery, Washington, DC
 Washington University Gallery of Art, St. Louis, MO

State Government

Ackland Art Museum, Chapel Hill, NC
 Detroit Institute of Arts, Detroit, MI
 Georgia Museum of Art, Athens, GA
 North Carolina Museum of Art, Raleigh, NC
 Ringling Museum of Art, Sarasota, FL
 Southern Illinois University Museum, Carbondale, IL
 Spencer Museum of Art, Lawrence, KS
 University of Kentucky Art Museum, Lexington, KY
 University of Michigan Museum of Art, Ann Arbor, MI

Local Government

Asian Art Museum of San Francisco, San Francisco, CA
 Baltimore Museum of Art, Baltimore, MD
 Birmingham Museum of Art, Birmingham, AL
 Brooklyn Museum, Brooklyn, NY
 Chrysler Museum, Norfolk, VA
 Gilcrease Institute of American Art, Tulsa, OK
 Huntsville Museum of Art, Huntsville, AL
 Memphis Brooks Museum of Art, Memphis, TN
 Minneapolis Institute of Arts, Minneapolis, MN

Newark Museum, Newark, NJ
 Saint Louis Art Museum, St. Louis, MO

Other Government

California State University Art Museum, Long Beach, CA
 Elvehjem Museum of Art, Madison, WI
 University of Minnesota Art Museum, Minneapolis, MN
 Virginia Museum of Fine Arts, Richmond, VA

Corporate Contributions

Cedar Rapids Museum of Art, Cedar Rapids, IA
 Corning Museum of Glass, Corning, NY
 International Museum of Photography, Rochester, NY
 Yale University Art Gallery, New Haven, CT

Private Gifts and Contributions

Amon Carter Museum, Fort Worth, TX
 Chicago Museum of Contemporary Art, Chicago, IL
 Cincinnati Art Museum, Cincinnati, OH
 Columbus Museum of Art, Columbus, OH
 Dallas Museum of Art, Dallas, TX
 Flint Institute of Arts, Flint, MI
 High Museum of Art, Atlanta, GA
 Hood Museum of Art, Hanover, NH
 Houston Museum of Fine Arts, Houston, TX
 J. Paul Getty Museum, Malibu, CA
 Milwaukee Art Museum, Milwaukee, WI
 Modern Art Museum of Fort Worth, Fort Worth, TX
 Pennsylvania Academy of the Fine Arts, Philadelphia, PA
 Phoenix Art Museum, Phoenix, AZ
 Portland (Maine) Museum of Art, Portland, ME
 Princeton Art Museum, Princeton, NJ

Rhode Island School of Design
Museum, Providence, RI
San Francisco Museum of Modern Art,
San Francisco, CA
Snite Museum, Notre Dame, IN
Tacoma Art Museum, Tacoma, WA
Tucson Museum of Art, Tucson, AZ
University Art Museum—Berkeley,
Berkeley, CA
Whitney Museum of American Art,
New York, NY

Endowment Income

Clark Art Institute, Williamston, MA
Cleveland Museum of Art,
Cleveland, OH
Frick Collection, New York, NY
Harvard University Art Museums,
Cambridge, MA
Huntington Art Gallery, Austin, TX
Indianapolis Museum of Art,
Indianapolis, IN
J. B. Speed Art Museum,
Louisville, KY
Montclair Art Museum, Montclair, NJ
Munson-Williams-Proctor Art Institute,
Utica, NY
Pierpont Morgan Library, New
York, NY
Santa Barbara Museum of Art, Santa
Barbara, CA
Taft Museum, Cincinnati, OH
Toledo Museum of Art, Toledo, OH
Wadsworth Atheneum, Hartford, CT
Winterthur Museum and Gardens,
Winterthur, DE

Earnings

Boston Museum of Fine Arts,
Boston, MA
Buffalo Bill Historical Center,
Cody, WY
Cranbrook Academy of Art Museum,
Bloomfield Hills, MI
DeCordova and Dana Museum,
Lincoln, MA
Laguna Gloria Art Museum, Austin, TX
Telfair Academy of Arts and Sciences,
Savannah, GA

Various Sources

Akron Art Museum, Akron, OH
Albright-Knox Art Gallery, Buffalo, NY
Allentown Art Museum, Allentown, PA
Art Institute of Chicago, Chicago, IL
Asia Society Galleries, New York, NY
Center for the Fine Arts, Miami, FL
Dayton Art Institute, Dayton, OH
Delaware Art Museum, Wilmington, DE
Denver Art Museum, Denver, CO
Everson Museum of Art, Syracuse, NY
Fine Arts Museums of San Francisco,
San Francisco, CA
Herbert F. Johnson Museum of Art,
Ithaca, NY
Houston Contemporary Arts Museum,
Houston, TX
Institute of Contemporary Art,
Philadelphia, Pa
Joslyn Art Museum, Omaha, NE
La Jolla Museum of Contemporary Art,
La Jolla, CA
Los Angeles County Museum of Art,
Los Angeles, CA
Lyman Allyn Museum,
New London, CT
Madison Art Center, Madison, WI
Metropolitan Museum of Art, New
York, NY
Museum of Modern Art, New York, NY
New Museum of Contemporary Art,
New York, NY
New Orleans Museum of Art, New
Orleans, LA
Newport Harbor Art Museum, Newport
Beach, CA
Philadelphia Museum of Art,
Philadelphia, PA
Philbrook Art Center, Tulsa, OK
San Antonio Museum of Art,
San Antonio, TX
San Diego Museum of Art, San
Diego, CA
Seattle Art Museum, Seattle, WA
Sheldon Memorial Art Gallery,
Lincoln, NE
Tampa Museum, Tampa, FL
Walker Art Center, Minneapolis, MN
Walters Art Gallery, Baltimore, MD
Worcester Art Museum, Worcester, MA

