

Caretaking the Culture

Art museums strive for financial stability

BY BETTY JOYCE NASH

The Virginia Museum of Fine Arts (VMFA) opened in Richmond 75 years ago during the Depression. So it's fitting that the museum unveiled the biggest expansion in its history — \$150 million and 165,000 square feet — on the heels of the recent recession.

Art museums provide valuable services. Museums not only enhance a community, they also protect and restore inherited artifacts, interpret and accumulate current creative work, and pass treasures forward to future generations. In short, they take care of the culture.

But it's a challenge to quantify or charge for this value in a way that pays the bills. Art museums rely on gifts and contributions as well as earned income, endowment income, and some government funding. Most museums struggle to fund daily operations as they make the tough trade-offs required to pursue missions.

The VMFA's dramatic new wing, with its 40-foot glass wall overlooking The Boulevard, exhibits its 21st century



The heart of the Virginia Museum of Fine Arts' expansion is its new wing, which includes public gathering spaces such as a three-story glass atrium.

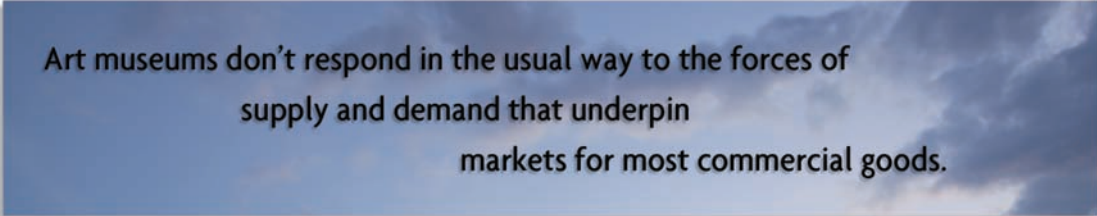
purpose: wide-open public access. An atrium unites the museum's existing wings and opens onto a library, shop, café, and the galleries. General admission is always free — and the museum is open 365 days a year, including Thursday and Friday nights until 9 p.m. "Accessibility is part of the answer to how we can make this work," says VMFA director Alex Nyerges. "We need to make art museums part of the fabric of our daily lives."

Paradoxically, the VMFA wants to increase revenue by making as many attractions as possible free.

Museums and the Market

Art museums don't respond in the usual way to the forces of supply and demand that underpin markets for most commercial goods. Though the market for buying and selling art functions just fine, museums aren't in the business of selling art for profit: They show and preserve the art and educate the public, a money-losing proposition almost by definition. As such, the services provided by museums are often considered public goods that may not adequately be produced by the for-profit sector. For most museums, then, viability means some combination of private contributions and public funds. This is why most museums are private nonprofits, about 71 percent; most of the rest are publicly owned and managed by various levels of government, according to an Institute for Museum and Library Services (IMLS) survey of more than 1,000 institutions in 2008. Only 0.2 percent of museums in the United States are for-profits.

American museums grew from the generosity of private benefactors. These cultural capitalists amassed wealth in the 19th century, and funneled cash into culture — including libraries, museums, and schools. The VMFA got its start from just such a man, John Barton Payne, during a museum-building wave between the world wars when more than 30 museums went up nationwide. A native Virginian, Chicago lawyer, judge, and public servant, Payne pledged his own art collection in 1919 to a future state museum dedicated to the arts. In 1932, the state accepted Payne's cash gift of \$100,000, conditional on matching funds. Though the state then had no discretionary money, Gov. John Garland Pollard raised private funds, and received 30 percent of the amount from a federal Works Progress Administration grant. In 1934, the General Assembly legislated state maintenance of the building and staff salaries, while the Board of Trustees was deemed responsible for art objects and endowments. Payne died in 1935; the museum opened in 1936. In fiscal year 1936-1937, the state appropriated about \$32,000 for the museum — roughly \$503,000 in today's dollars. The museum has been sustained since by the public, business



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leaders, collectors, and other benefactors, including the late Paul Mellon, its longest-serving trustee at 40 years.

Though a steady stream of state funding may be unusual for an art museum, Virginia is not the only Fifth District state to provide substantial funding for its flagship museum; so does North Carolina. Both museums opened new wings in 2010. And though funding fluctuates, each receives roughly a quarter of its operating funds from the state. Those funds help sustain ordinary operations that don't attract attention from benefactors, such as maintenance, security, and management of the art collection. Energy costs are substantial, for instance, because the building requires a controlled atmosphere at all times to protect the integrity of the collection even when the building is unoccupied.

Multiple Missions

Art museums are places for people to learn, formally or informally. Art museums advance scholarship about the art and artists in the collection. As such, notes Massachusetts Institute of Technology economist Peter Temin, part of what museums do is provide education.

Museums can also stimulate spending, especially when shows attract people from out of the area. For instance, the Picasso exhibit this winter at the VMFA will be the show's only East Coast stop, and people from all over Virginia and other states are likely to be among the projected 200,000 visitors.

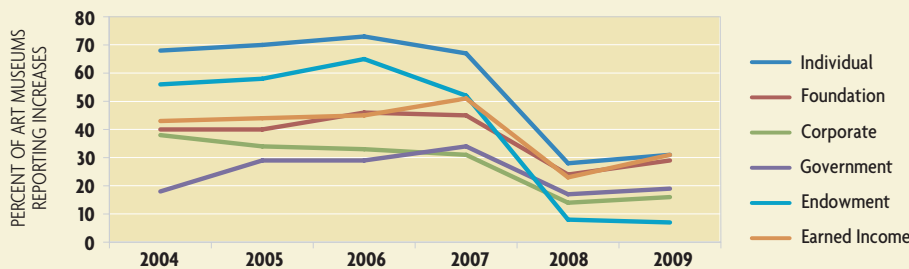
Another of the VMFA's missions is sharing art. Selections from the VMFA's collection will circulate in 2011 among museums in cities large and small throughout Virginia, in two separate anniversary shows, to commemorate the museum's founding.

Most people don't realize the complexity of what goes on behind the scenes at an art museum. For example, the seemingly simple process of shipping art to share it with another museum requires an enclosed, climate-controlled loading dock big enough for a tractor trailer. Sturdy wood trunks and special packing foam protect artworks. A meticulous array of instructions, and sometimes a courier, accompany the pieces.

Requests for loans must meet specific criteria before the museum agrees to lend. "We are stewards and it's our responsibility to make sure this gets passed on to future generations," says chief conservator and deputy director for collections management Stephen Bonadies. (Monet's

Revenue by Category

The Association of Art Museum Directors surveys its members each year. Survey results include responses through calendar year 2009, with varying response rates, with the latest showing 149 member responses. In 2010, AAMD members included a museum in Canada, Puerto Rico, and three in Mexico.



SOURCE: Association of Art Museum Directors' State of North America's Art Museums Survey

Field of Poppies is among the VMFA's most frequently lent paintings.)

The public also rarely views the museum's behind-the-scenes restoration efforts, such as recent work on a bed that dates from about 1905. The bed is one of three from the workshop of French designer Louis Majorelle; the entire bedroom suite was donated by longtime patrons Frances Lewis and her late husband, Sydney, founders of Best Products. The project required the services of an outside Art Nouveau expert.

The VMFA currently sends half of its restoration projects elsewhere, but aims to build its conservation department so it can perform more work in-house and also serve other museums. "We could double the department and probably save money because we farm out so much to consultants," Nyerges says.

Creative Financing

Temin and others have pointed out that museums typically can't raise money in ways a private business might: by selling assets — in this case, valuable art. Founders and future donors needed a guarantee, in those early years, that gifts would be used for stated purposes. The potential for the breaking of such agreements may be less acute today, according to Temin, given that museums are now staffed by professionals with greater training than in the early years; various laws ensure that donors' wishes are honored. Selling art is frowned upon. "Assets are the reason museums exist and the collections are essentially held in public trust by the museum," says Janet Landay, the executive director of the Association of Art Museum Directors (AAMD), a nationwide organization of about 198 art museum directors. "The field has made it a key principle in our professional practices that you cannot sell artwork to cover any expenses. What sometimes gets confusing is the fact that museums sell art regularly, but use the money to upgrade the collection. It's restricted accession money. It's a line that you really can't cross."

During the Depression, though, some museums fell back on collections to save the institutions. Brandeis University

in Waltham, Mass., recently considered selling part of its collection to help solve financial problems — but did not. And cash-strapped Fisk University in Nashville, Tenn., got court permission to sell one-half interest in Alfred Stieglitz photographs to the Crystal Bridges Museum of American Art, scheduled to open later this year in Bentonville, Ark. "Such choices are very difficult in times like these," Temin says, of the recent controversies.

Admission fees may help art museums, but they don't constitute much of a revenue stream. No recent data exist to quantify the proportion of revenues earned overall from admissions; at the time of a 2001 survey by AAMD, however, the average admission was \$2.25.

Free admission makes economic sense, according to Harvard University economist Martin Feldstein, who edited *The Economics of Art Museums*, published in 1991. While a private museum full of Rembrandts or Renoirs might charge high entry fees, a nonprofit won't do it because "the decline in attendance would be contrary to the museum's basic mission.

"Even a modest admission charge might deny someone who wished to see the collection the opportunity to do so even though his or her seeing it would impose no cost," Feldstein writes. That would remain true up until the point at which an exhibit or a museum became congested.

Attendance is one index of effectiveness, and at most museums, it runs counter to the business cycle. When times are tough, more people visit. But private and public funding decline in a downturn, as governments struggle to balance budgets and contributions dwindle along with endowment income.

Art museum funding breaks down this way, on average: 13.1 percent comes from government, 23.3 percent from private sources, 46.1 percent from earned income, and 17.5 percent from investments, according to an IMLS survey based on fiscal 2006 data, the latest available.

Museums are also subsidized indirectly through forgone taxes on property and income, estate tax deductions for charitable contributions, and nontaxation of endowment income. Federal insurance guarantees also protect accredited museums against catastrophic damage when art is loaned.

The recession crimped art museums' income, according to the latest AAMD survey. In 2009, 23 percent of respondents reported increases in overall revenue relative to the previous year, up from 15 percent in 2008. That compares to 58 percent in 2006 and 55 percent in 2007. Less than one-fifth of respondents, 16 percent, reported increases in corporate support in 2009, with three-fifths reporting

declines, the same as in 2008. (Business activity peaked in December 2007, the official start of the recession.)

Endowment income fell during the recession after rising in 2005 and 2006. By 2008, only 8 percent of respondents reported increases in endowment income; in 2009, 79 percent of museum respondents said endowment income fell. Earned income also has fallen.

Public funding also can be precarious. The VMFA's state funding has fluctuated over the last decade. In 2003 the museum received \$7.5 million and in 2009, the state contribution totaled about \$8.79 million, both figures in 2010 dollars.

The VMFA is striving to vary and build income streams. Currently the VMFA's annual operating budget is about \$37 million, with about 27 percent coming from the state. Endowment, earned income, contributed income, and special events need to provide the remaining 73 percent. "The goal is to have four diverse sources of support so we're not relying on any one particular source and amount," Nyerges says. In the recession, endowments went down, giving went down, and state budget appropriations went down. Earned income includes membership fees, tuition for classes, ticket revenues, education programs, parking deck revenues, facility use fees, publications sales, photo sales, and revenues from the gift shop.

Mega shows like the Picasso exhibit are no panacea for revenues. The Picasso show is likely to cost "just shy of \$5 million," Nyerges says. Though these big shows may attract crowds, they can be break-even efforts. For instance, the VMFA hosted a major collection of work by master glassmaker Louis Comfort Tiffany from May to August 2010, the only American museum to feature the exhibition. Yet the show barely broke even. And costs of shows and the day-to-day functions of the museum aren't likely to get cheaper, only more expensive. Special shows are, like many of the VMFA's galleries, underwritten by patron or corporate support.

The plan is to build traffic, popularity, and attendance. Art museums today are about bringing people together, says Nyerges. In its aim to become a gathering spot, the museum

By the Numbers: 'Tiffany: Color and Light'

Expenses	\$	Revenues	\$
Exhibition Design & Production	293,000	Endowments	550,000
Administration/Loan Fee	184,600	Earned	500,000
Shipping & Insurance	335,000	Corporate, Individual	200,000
Security	99,000	Total	\$1,250,000
Education & Publications	116,678		
Marketing	200,000		
Total	\$1,228,278		

SOURCE: Virginia Museum of Fine Arts

is cultivating clientele with free jazz, free exhibits, and a variety of events, some with fees, most without. "Art After Hours," formerly a fee event with music and food and dancing, now costs nothing. The new atrium serves as a Main Street, of sorts, branching off into galleries, the café, and shops. "This is a very calculated and directed plan aimed at increasing revenue," Nyerges says. The aim is a steady flow of visitors who can find a variety of entertainment options while visiting VMFA, not only the exhibits. "It allows us to bring in more people to the building and, while they are here, they may see the South African or the quilt exhibition."

Membership and attendance at VMFA have varied over the years. In fiscal year 2000, attendance reached 669,000; that included more than 250,000 visitors to an exhibit of Egyptian art. By September 2009, membership had dropped to 7,100, largely due to construction started in 2005 and the 10-month closure prior to the re-opening in May 2010. But by late November, VMFA had about grown to 20,000 members. And the museum logged about 265,000 visitors in the first seven months after unveiling its transformation into a kind of town hall.

"The notion of a hall of relics, dusty and quiet, is obviously a 19th century creation," Nyerges says. People can be inspired by beautiful works but also challenged and educated through exhibits like the recent display of South African photographs depicting apartheid-era events. Art museums today bring people together to learn, enjoy, and have fun to make their lives better while museums, behind the scenes, continue as keepers of the culture. **RF**

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