

Responding to Funding Cuts as a Government-funded Museum

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Abstract

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This research study analyzed how US museums survived the loss of government funding during the Great Recession in 2008. The adaptations and strategies that were adopted by museums in response to the Great Recession may offer indications for how museums might prepare for potential government funding shortfalls. In the current political environment, the worries about whether the federal and state governments will reduce financial support have become the mutual concerns of many museum professionals. Two methods were adopted for gathering data for this study: semi-structured interviews with seven museum directors and document analysis of IRS Form 990s on thirty museums in 2006, 2009, and 2011. The results showed that the diversification of revenue sources was the main factor that helped museums survive the cutbacks of government funding. The help from museum boards and the reprioritization of museum projects also contributed. In some extreme cases, community support made the significant impact on the survival of some museums.

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Chapter 1: Introduction

Worries exist among museum professionals in the United States about whether the budgets for the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH) will be cut in the coming years.¹ Until 2017, the NEA, NEH, and the Institute of Museum and Library Services (IMLS) were the primary Federal government grant providers for museums in the U.S. Over the five-decade history from 1965 to 2017, for example, the NEH provided \$5.3 billion for humanities projects through 63,000 grants.² Will museums continue to expect to receive grants and appropriations from the Federal government? Given the recent public concerns regarding museum funding cutbacks by the Federal government, the purpose of this study is to analyze how museums survived the loss of government funding during the Great Recession of 2008. The adaptations employed by museums during the Great Recession might offer suggestions on how to address future museum government funding shortages in the United States.

The Great Recession, a term used to represent the sharp decline in economic activity, lasted from December 2007 to June 2009, and it was the longest and deepest economic downturn since the 1930s in the United States.³ While the majority of museums survived, some museums, such as the Las Vegas Art Museum and the Washington State Heritage Center, were shut down for

¹ "Key Takeaways from Election Day 2016; What it means for museums, and how you can support museums today." American Alliance of Museums. Accessed March 24, 2017. <http://www.aam-us.org/advocacy/take-action/advocacy-alerts/20161117>.

² "NEH Chairman William D. Adams Statement on the Proposed Elimination of NEH in FY18 Budget." National Endowment for the Humanities. March 14, 2017. Accessed May 22, 2017. <https://www.neh.gov/news/press-release/2017-03-16>.

³ Picardo, CFA Elvis. "The Great Recession." Investopedia. September 02, 2014. Accessed May 22, 2017. <http://www.investopedia.com/terms/g/great-recession.asp#ixzz4hkPpSb9Y>.

several years or closed forever.⁴ Museums like all other nonprofit organizations in the US were financially impacted by the recession. This thesis is focused on the Great Recession period (2008-2010)⁵ and the time before and after will also be covered to some extent.

When it comes to museum funding cuts, three important questions frame this study: What were the impacts of the reduction in government support to public museums? How did each of the museums respond? How well did the methods and strategies employed by the public museums work and what was the result? To answer these questions, this study collected and analyzed qualitative data from interviews with seven museum directors who had experienced the Great Recession, as well as the financial data taken from thirty museums and historical societies in Guidestar via their IRS Form 990s. Guidestar is an information service specializing in reporting on U.S. nonprofit companies.

⁴ English, Sandy. "World Socialist Web Site." Economic crisis devastates museums across the US - World Socialist Web Site. September 12, 2009. Accessed May 21, 2017. <https://www.wsws.org/en/articles/2009/09/muse-s12.html>; Dickson, Amelia. "New secretary of state pulls for state Heritage Center renewal." *The Seattle Times*. January 30, 2013. Accessed May 21, 2017. <http://www.seattletimes.com/seattle-news/new-secretary-of-state-pulls-for-state-heritage-center-renewal/>.

⁵ "Business Cycle Dating Committee, National Bureau of Economic Research." The National Bureau of Economic Research. September 20, 2010. Accessed May 13, 2017. <http://www.nber.org/cycles/sept2010.html>.

Chapter 2: Literature Review

This literature review sought to explore the existing resources that were available concerning how museums responded to the Great Recession of 2008. The first part of the literature review summarized the major museum revenue sources; the second part of this literature review discussed the impacts the economic recession had on the museum field; the last part of this literature review examined the responses of museums to the economic downturn and suggestions of mitigating the damage of the Great Recession.

1. Contributions

Contributions come from corporate sponsorships, individual donations, and philanthropic foundations, and contributions have represented the largest share of museum operating revenue, averaging 38% of a museum's total budget.⁶ Sponsorships are often provided for major special exhibitions in the form of dollar support from corporate sponsors. Donations are composed of gifts, bequests of artifacts, specimens, or works of art, and money from individuals.⁷ Philanthropic foundations, however, support museums projects via awarding grants.

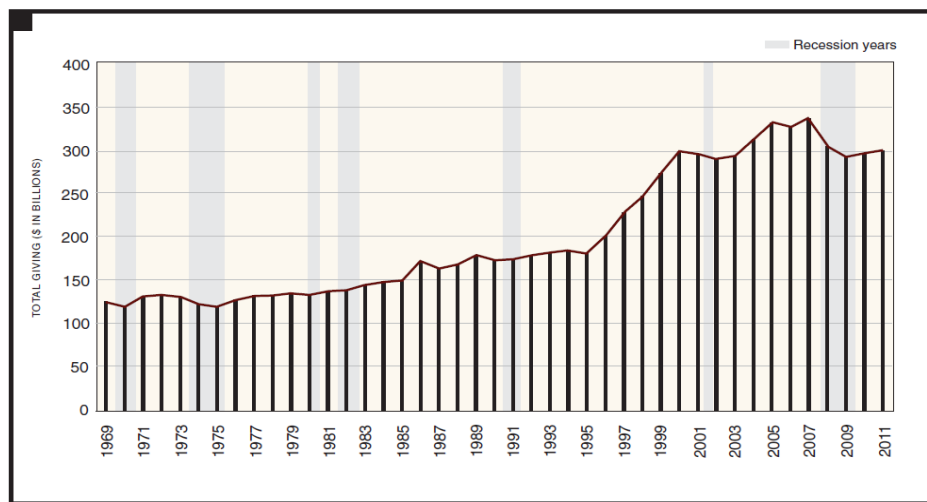
Charitable giving is the main source of contributions. Charitable giving decreased sharply in 2007 from approximately \$340 billion to \$280 billion in 2009, and until 2011 did the number (about \$300 billion) return to the level in 2007 (see Figure 1). According to the Giving USA Foundation, contributions in the US between 2008 and 2011 giving, which accounted for roughly

⁶ Bell, Ford W. "How Are Museums Supported Financially in the U.S.?" Embassy of the United States of America. Accessed May 22, 2017. https://static.america.gov/uploads/sites/8/2016/03/You-Asked-Series_How-Are-Museums-Supported-Financially-in-the-US_English_Lo-Res_508.pdf.

⁷ Bell, 2.

80% of contributions to museums, The US experienced a national drop in charitable giving and it reached a low to about \$280 billion in 2009. Shelly Banjo and Mitra Kalita in “Once-robust charity sector hit with mergers, closings” noted, “In 2008, charitable giving dropped by 6%, marking the largest decline in donations in 50 years.”⁸ From 2009 to 2011, charitable giving was gradually recovering, and a number of museums experienced a significant increase in funding from individual donors, corporate donors, and foundation donors in 2011, compared to the previous year.⁹

Figure 1. Total Charitable Giving (inflation adjusted dollars)



Source: adopted from Giving USA: The Annual Report on Philanthropy for the year 2011 (2012).

Museums, as well as other types of non-profit organizations suffered a severe funding shortage in sponsorships and donations during the economic recession. “The Effect of the Economy on the Nonprofit Sector” reported on the overall charitable giving shortage during 2008 to 2011: “the decrease in the number of individuals giving and the amount that those individuals gave

⁸ Banjo, S. & Kalita, M. (2010, February 2). Once-robust charity sector hit with mergers, closings. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052748704586504574654404227641232.html>

⁹ "Museums and the American Economy in 2011." American Alliance of Museums. Accessed April 25, 2017. www.aam-us.org/docs/research/acme12-final.pdf.

most of these organizations caused the decline of individual giving.”¹⁰ A number of organizations noted there were no significant changes from major donors; however, the “\$100 donors” gave less or nothing at all.¹¹ Foundations were reluctant to make grants in the early phase of the economic crisis.¹² For example, the grants that the Bill and Melinda Gates Foundation made in 2009 dropped by 28%.¹³

2. Endowments

Endowments in museums are used to accumulate the assets that have been donated to museum, and generate on average 12 percent of museum income. Endowments in museums are defined as funds "used to accumulate those assets that have been given to the museum on the condition that the principal of the gift is to be kept intact and that only the investment income it produces can be used to meet the museum's needs."¹⁴ The interest and dividend earnings generated from endowments provide financial stability for museums, and five percent of the endowment are typically available for spending each year, with the remaining 95 percent invested in financial instruments to ensure the continued growth of the endowment.¹⁵

¹⁰ McLean, Chuck, and Brouwer, Carol. "The Effect of the Economy on the Nonprofit Sector." Guidestar. Accessed May 22, 2017. http://cdn2.hubspot.net/hubfs/733304/docs/march09_npo_economic_survey.pdf?t=1455213150884.

¹¹ McLean and Brouwer, 3.

¹² Lawrence, Steven. "Past Economic Downturns and the Outlook for Foundation Giving." (2008): 2.

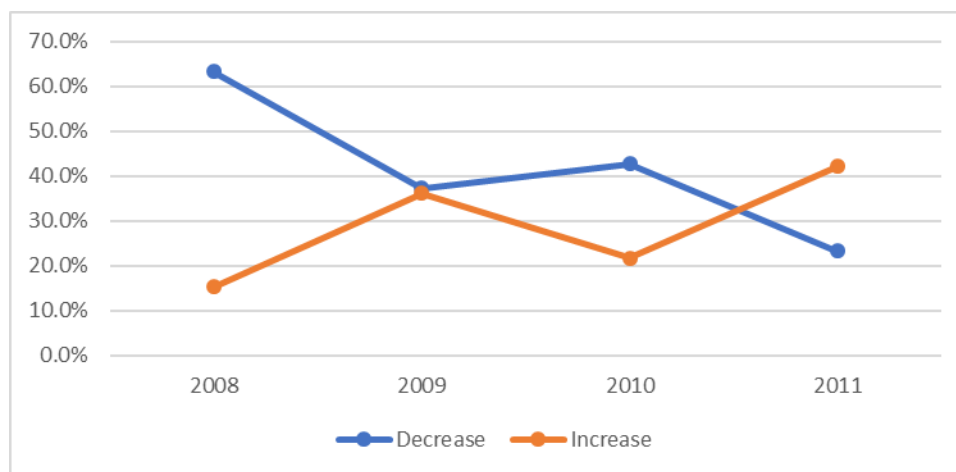
¹³ "2009 Annual Report." Bill & Melinda Gates Foundation. Accessed May 22, 2017.

<http://www.gatesfoundation.org/Who-We-Are/Resources-and-Media/Annual-Reports>.

¹⁴ Vincent, Carol Norris. "Creating and Building Endowments for Small Museums." AIM Bulletin, July & Aug. 1997. Accessed April 26, 2017. <http://www.indianahistory.org/our-services/local-history-services/CreatingAndBuildingEndowments.pdf>.

¹⁵ Vincent, 1; Bell, 3.

Figure 2. Museums reporting a decrease or increase in annual revenue from investment income



Source: "America's Museums Reflect Slow Economic Recovery in 2012." American Alliance of Museums.

Two investment drops were observed in 2009 and 2011. A study conducted by a team from Johns Hopkins University entitled, *Impact of the 2007–09 Economic Recession on Nonprofit Organizations*, examined the magnitude of the recession's influence on investments. It suggested that, from 2007 to 2009, 80% of non-profit organizations were hit by endowment decline.¹⁶ Between 2009 and 2010, the number of respondents that reported an increase of their investment income more than doubled. The number of reports on investment income declined in 2009, and dropped by 37.3% in 2010 (see Figure 2). However, another investment income decline occurred between 2010 and 2011, in which the number of reports on investment income increase reported dropped by about 15%, and the reported number of decreases went up by about 5.5%. In the transition from 2011 to 2012, 42.2% of the respondent museums reported an increase of investment income and the number of investment income decrease reports fell by 12.3%. Thus,

¹⁶ Salamon, L. M., S. L. Geller, and K. L. Spence. "Impact of the 2007–09 economic recession on nonprofit organizations, Communiqué No. 14, Listening Post Project." Center for Civil Society Studies, Johns Hopkins University. Retrieved from http://www.ccss.jhu.edu/pdfs/LP_Communique/LP_Communique_14.pdf (2009).

the survey data suggested that, the museum sector had been through an investment income crisis from early 2008 until 2012.

4. Earned Income

On average, 27% of the operating revenue of museums came from earned income sources.¹⁷

Earned income is defined as the revenue directly collected from museum admission fees, educational programs, contracted services, memberships, retail sales and rentals.¹⁸ Admission fees varied significantly; however, these revenues accounted for approximately 5% of museum revenue.¹⁹ Museums could also choose to charge an additional admission fee for special exhibitions while offering free admission to their permanent exhibitions.²⁰ Educational programs were often structured as the contracted services with educational institutions (K-12). In addition, museums undertook contracts to provide technical services to other museums, government agencies, or the private sector. Membership fees were also a substantial source of financial support and museums often contracted out their spaces for special events as an additional source of revenue.²¹

¹⁷ Bell,3.

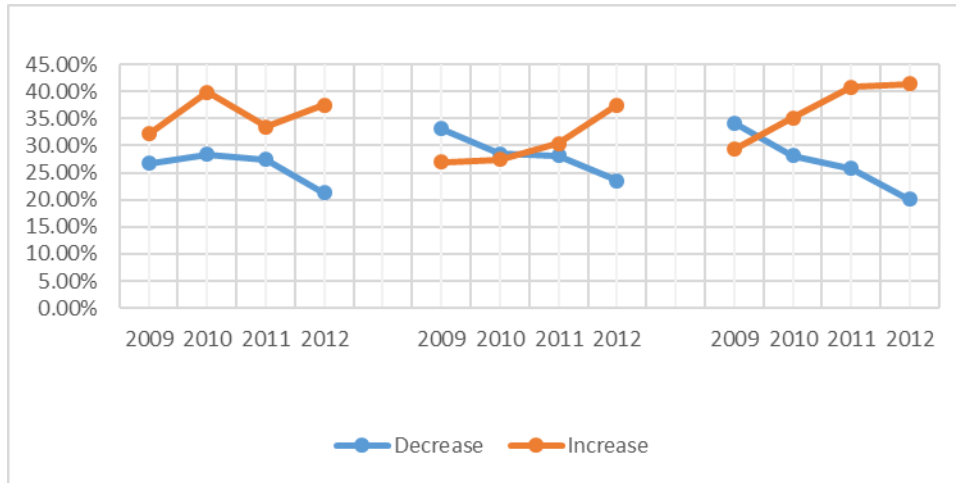
¹⁸ Bell,3; Lord, Gail Dexter, and Barry Lord, 245.

¹⁹ Bell,3.

²⁰ Lord, Gail Dexter, and Barry Lord, 240.

²¹ Lord, Gail Dexter, and Barry Lord, 240.

Figure 3. Museums reporting a decrease or increase in annual revenue from Admission Fees, Membership Fees, and Other Earned Income (from left to right)



Source: "America's Museums Reflect Slow Economic Recovery in 2012." American Alliance of Museums.

Contrary to the declines that happened in other categories of revenues, museums reported the revenue of earned income increased year by year. Figure 3 illustrated the earned income fluctuation from 2009 to 2012 based on the reports from 347 institutions. Among the respondent museums, admission fees were gradually growing despite slight slow-down in 2010. In terms of membership fees and other earned income, respondent museums felt revenue growth increased by 2012, two years after the end of the Great Recession. To explain this abnormal phenomenon of income increase, Sarah Skinner et al in "Art Museum Attendance, Public Funding, and the Business Cycle" remarked that "attendance varies countercyclically with the business cycle,"²² and they believed that during the economic recession period, people intended to spend more time in museums.²³

²² Skinner, Sarah J., Robert B. Ekelund Jr, and John D. Jackson, 1.

²³ "Museums and the American Economy in 2011." Accessed May 21, 2017.

<http://www.bing.com/cr?IG=44053134D1AD44E0B826AB0C81A414F9&CID=33C68A41781C62E30AE680CB7>

5. Government Grants

Government support was a significant revenue source for museum operations. On average, museums derive approximately 24% of their revenue from government support.²⁴ The Institute of Museum and Library Services (IMLS), the National Endowment for the Arts (NEA), the National Endowment for the Humanities (NEH), and the National Science Foundation (NSF) were the major grant-providers for the museum sector at the federal level, and they funded museums in accordance with their missions.²⁵

Support mechanism at the state level varied.²⁶ Some states provided support to museums through a single agency, and others funded museums through multiple agencies.²⁷ Also, in some states, funding flowed directly to state operated museums.²⁸ At the local level, funding channels became more diverse; nonetheless, the largest sources were driven by “targeted tax initiatives.”²⁹

According to the study of IMLS in 2008, government support from different levels was generally classified into lump-sum appropriations, earmarks, and line items.³⁰ Lump-sum appropriations, which were usually made to cover a number of specific programs, projects, or items, were often

91A6371&rd=1&h=CNbYMk3Zj5bmSHips1C3axskGrAR8Yhlu-iQwB0_aYM&v=1&r=http%3a%2f%2fwww.aam-us.org%2fdocs%2fresearch%2facme12-final.pdf%3fsfvrnsn%3d0&p=DevEx,5062.1; "Survey on the Economic Recession's Impact on Cultural Organizations in the Puget Sound." Seattle. gov. Accessed May 10, 2017. <https://www.seattle.gov/Documents/Departments/Arts/Downloads/Reports/HeliconReport.pdf>.

²⁴ Bell, 3.

²⁵ Skinner, Sarah J., Robert B. Ekelund Jr, and John D. Jackson, 495.

²⁶ "Exhibiting Public Value: Government Funding for Museums in the United States." December 2008. Accessed February 28, 2017. <https://www.imls.gov/assets/1/AssetManager/MuseumPublicFinance.pdf>, 8.

²⁷ Institute of Museum and Library Services, 9.

²⁸ Institute of Museum and Library Services, 10.

²⁹ Institute of Museum and Library Services, 11.

³⁰ Institute of Museum and Library Services, 43.

provided by federal, state, or local governments.³¹ Earmarks were created for a specific museum for specific programs that fell within the mission of an agency.³² A line item appropriation was usually a way that a state, county, or city government provided support for some museum activities. It tended to be recurring and dedicated to a specific museum.

Government support providers at different governance levels responds to certain museum needs. Rosenstein suggested that the common categories of government-funded museum needs constituted capital projects, programming, and general operating support (GOS).³³ According to Sarah Skinner et al and Rosenstein in “When is a museum a public museum? Considerations from the point of view of public finance,” earmarks, or non-recurring legislative expenditures, tended to be used to support capital projects.³⁴ While government agencies generally provided program or project support, they often did not provide operating support.³⁵ State and local governments also subsidize museums through annual appropriations, that may include operating support.³⁶

L.M. Salamon et al. compared the period of 2007 to 2008 to the period of 2008 to 2009 and found that more than 35% of non-profit organizations saw a decrease in government support.³⁷

Julianne Gassman et al found “the most significant impact reported by nonprofit organizations

³¹ According to the United States General Accounting Office, “A lump-sum appropriation is one that is made to cover a number of specific programs, projects, or items. Lump-sum appropriations come in many forms. Many smaller agencies receive only a single appropriation, usually termed ‘Salaries and Expenses’ or ‘Operating Expenses.’” “Principles of Federal Appropriations Law.” United States General Accounting Office. January 2004. Accessed May 14, 2017. <http://www.gao.gov/special.pubs/d06382sp.pdf>.
or “Operating Expenses.”

³² Institute of Museum and Library Services, 43-44.

³³ Rosenstein, Carole. "When is a museum a public museum? Considerations from the point of view of public finance." *International Journal of Cultural Policy* 16, no. 4 (2010), 455.

³⁴ Rosenstein, 457; Skinner, 497.

³⁵ Skinner, 497.

³⁶ Skinner, 498.

³⁷ Salamon, Geller, and Spence, 5.

came from the decrease in government grants.”³⁸ This decreasing funding situation was still deteriorating in 2012 and 2013. The American Alliance of Museums report “America’s Museums Reflect Slow Economic Recovery” in 2012 found that the decline in government funding was especially sharp, with 47% of museums reporting a drop in government support versus just 12% that reported net increases in government support in 2012.³⁹

Government funding had been characterized as an “institutional entitlement”, suggesting its continuity, stability, and predictability.⁴⁰ Because of this feature, reliance on government funding served as an important component in a revenue portfolio to minimize financial risk.⁴¹ The reliance on government support, on the other hand, caused many museums to experience cash flow shortages in the economic recession.⁴² When “three out of every five of these human service nonprofits report[ed] government funds as their largest source of funding,” the shrinkage of government museum funding led museums to fall into bad financial situations.⁴³

6. Museums’ Response

The “Survey on the Economic Recession’s Impact on Cultural Organizations in the Puget Sound” classified the nonprofits’ response to the Great Recession as follows: proactive, informed, and in

³⁸ Gassman, Julianne, Norman A. Dolch, Ann Marie Kinnell, Stephanie Krick, Regan Harwell Schaffer, SueAnn Strom, and Amy Costliow. "A Three-Year Study of the Nonprofit Sector’s Response to the Economic Challenges in Six Cities Across the Nation." *Center for Nonprofit Strategy and Management. Baruch College. The City University of New York. The School for Public Management* (2012).

³⁹ "America’s Museums Reflect Slow Economic Recovery in 2012." American Alliance of Museums. Accessed April 26, 2017. <https://www.aam-us.org/docs/research/acme-2013-final.pdf?sfvrsn=2>.

⁴⁰ Yan, Wenli, Dwight V. Denison, and John S. Butler. "Revenue structure and nonprofit borrowing." *Public Finance Review* 37, no. 1 (2009): 47-67.

⁴¹ Kingma, B. R. 1993. Portfolio theory and nonprofit financial stability. *Nonprofit and Voluntary Sector Quarterly* 22 (1): 105-19.

⁴² Chuck McLean and Carol Brouwer, "The Effect of the Economy On the Nonprofit Sector An October 2012 Survey," Guidestar, , accessed April 19, 2017, <https://www.guidestar.org/ViewCmsFile.aspx?ContentID=4781>.

⁴³ Joseph, C. "The Impact of the " Great Recession" on the Financial Resources of Nonprofit Organizations." (2011).

denial.⁴⁴ “Proactive” organizations reacted aggressively toward the economic downturn. This type of museum had planned for the worst-case scenario. They examined the budget carefully to make strategic cuts, and they communicated efficiently with their boards, staff, and important stakeholders. The “Informed” organizations were focused more on the current or near-term matters. While their budget, expenses and income had been projected and closely examined, and emergency plans had been carried out effectively, this type of museums did not think about long-term impacts. They waited “until Spring to see what happens to ticket sales, contributions, touring engagements, and other revenue.”⁴⁵ The “in denial” organizations chose to operate as usual. It was reported that they had not felt the economic downturn yet and were hoping to get the same amount of appropriations as the previous year. Some were too focused on the day-to-day work and had not considered museum operations in the long term.⁴⁶

7. Suggestions to museums

Research provided some approaches for nonprofits to respond to an economic downturn. The approaches included: “(1) continuing to cultivate relationships and developing new marketing techniques; (2) communicating and forming collaborative relationships and merging with other similar nonprofit organizations; (3) using strategic thinking and planning; and (4) developing a new national policy approach.”⁴⁷ In the first strategy, Joseph C. Morreale in “The Impact of the Great Recession on the Financial Resources of Nonprofit Organizations” suggested nonprofits could put efforts into implementing in fundraising activities, fee-based programs, or raising

⁴⁴ "Survey on the Economic Recession's Impact on Cultural Organizations in the Puget Sound." Seattle. gov. Accessed May 10, 2017.

<https://www.seattle.gov/Documents/Departments/Arts/Downloads/Reports/HeliconReport.pdf>.

⁴⁵ "Survey on the Economic Recession's Impact on Cultural Organizations in the Puget Sound." 3.

⁴⁶ "Survey on the Economic Recession's Impact on Cultural Organizations in the Puget Sound." 3-4.

⁴⁷ Joseph, C. "The Impact of the " Great Recession " on the Financial Resources of Nonprofit Organizations." (2011).

admission fees. The second strategy emphasized the importance of cultivating the relationships with major donors and potential donors. The third strategy underlined the collaboration and partnership with other nonprofits, and how organizational consolidation could help alleviate the financial burden of the museum operations. The fourth strategy advised nonprofits to plan and monitor the outer environment closely.⁴⁸

⁴⁸ Joseph, C, 19-23.

Chapter 3: Research Methodology

The purpose of this study was to analyze how museums survived the loss of government funding during the Great Recession of 2008. Two methodologies were utilized to gather research data: semi-structured interviews, a qualitative method of inquiry that combines a pre-determined set of open-ended questions (questions that prompt discussion) with the opportunity for the interviewer to explore particular themes or responses further, and document analysis, a form of qualitative research in which documents are interpreted to give voice and meaning around an assessment topic.⁴⁹

1. Semi-structured Interview

The first methodology, semi-structured interviews, relied on one-on-one interviews with seven museum executive directors from seven museums. (See Appendix 1) The sample group of institutions targeted in this study included nonprofit history museums and historical societies in the states of Washington and Oregon due to the fact that historical society and history museum are major receivers of government funding.⁵⁰ Each of these institutions received significant government support prior to the Great Recession.

Samples for Semi-structured Interview

Seven museums were selected as the representative samples for this study:

⁴⁹ Pritchard, Martin. "Semi-structured (Qualitative) Interview Checklist." Semi-structured Interview. Accessed May 23, 2017. http://evaluationtoolbox.net.au/index.php?option=com_content&view=article&id=31&Itemid=137.

⁵⁰ "Exhibiting Public Value: Government Funding for Museums in the United States." December 2008. Accessed February 28, 2017. <https://www.ims.gov/assets/1/AssetManager/MuseumPublicFinance.pdf>, 8.

The Washington State Historical Society (WSHS), the Eastern Washington State Historical Society (EWSHS), the Oregon Historical Society (OHS), the Burke Museum of Natural History and Culture (Burke), the Issaquah Historical Society (IHM), the Renton History Museum (RHM), the Lincoln County Historical Society (LCHS).

Table 1. The Basic Information, government support and total revenue in 2008 of the Seven Museums in the Study Sample Group

Name	Location	IRS Subsection	Relationship with Gov't	Revenue	Government Support	Percent	Memo
WSHS	Tacoma, WA	501(c)(3)	trustee agency of the stat	4,843,190	3,557,487	73%	
EWSHS	Spokane, WA	501(c)(3)	trustee agency of the stat	3,460,606	2,128,027	61%	
OHS	Portland, OR	501(c)(3)		5,619,056	1,686,080	30%	
HIS	Issaquah, WA	501(c)(3)		132,653	100,785	76%	
LHS	Lincoln, OR	501(c)(3)					
RHM	Renton City, WA	501(c)(3)	Governed by Renton's city's Community Services Department	335,630	142,830	42%	
BURKE	Seattle, WA	501(c)(3)	A unit of University of Washington, and thus a government institution				Although BURKE was not the history museum or historical society, it did receive government support as its major revenue source and it was also focused on cultural heritage and regional history.

Interview Questions

Each of the directors of these organizations answered twelve open-ended questions:

1. What was the amount of government appropriations on average? What was the major source of revenue?
2. Did the museum sense any sign of cutbacks?
3. Did the museum feel prepared when it was notified that the cutbacks were inevitable?
4. Which area within the museum took the brunt?
5. What steps did the museums take to deal with all the effects (layoff, cuts, system restructure)?
6. Were there any obstacles in the way of mitigating the effects of economic recessions?
7. What resources did museums draw on to plan for or respond to cuts?
8. Was there any discussion on incoming funding changes among your associated professional circles?

9. On the scale of 0-5, how do you rate your ability to respond to the funding cut situation starting from late 2008?
10. How did the revenue sources change?
11. What were the main factors that made the survival possible (or caused the museum to suspend operations)?
12. What question should we have asked that we didn't?

The twelve open-ended questions gave insights into three main questions of this thesis: What were the impacts of the reduction in government support to public museums? How did each of the museums respond? How well did the methods and strategies employed by the public museums work and what was the result?

Data Analysis for Semi-structured Interview

The thematic analysis was adopted for analyzing the data from the semi-structured interviews. Interviews with executive directors were recorded and they were transcribed into Nvivo, a qualitative data analysis computer software package designed for working with rich text-based and/or multimedia information, where deep levels of analysis on small or large volumes of data are required. Patterns and themes were identified, labeled, coded, and categorized in Nvivo.

2. Document Analysis

The second methodology was document analysis. The financial data from IRS Form 990 of 30 museums across the country in 2006, 2009, and 2011 was collected from Guidestar (<http://www.guidestar.org/>). Guidestar was an information service specializing in reporting on

U.S. nonprofit organization, and IRS Tax Form 990 can be reviewed on this platform. Form 990 included data on a non-profit organization's revenue, expenses, assets, and liabilities as well as their sources of funding.⁵¹

Samples for Document Analysis

Given that the national economy reached its peak in 2006, experienced a decline from 2006 through 2009, and started to recover in 2010, this study examined the data from 2006, 2009, and 2011 to get a better understanding of how museums survived the loss of government funding during the Great Recession of 2008.⁵² Thirty history museums and historical societies across the country were selected. The sampling criteria also included a decline of government grants and total assets ranging from \$1,000,000 and 5,000,000 across the country were selected.

Data Analysis of Document Analysis

Financial data was collected from the 990s, and were entered into Excel. The analysis was broken up into six key variables and indicators: government grants, contributions, earned income, investment income, fundraising efficiency, and revenue concentration. These variables helped provide a fuller picture of the financial conditions of the history museums and historical societies of this study during the Great Recession. (See Table 2)

⁵¹ "New990 - New York City, Long Island, Westchester | NPCC." Nonprofit Coordinating Committee of New York. Accessed May 23, 2017. <https://www.npccny.org/new990/>.

⁵² Amadeo, Kimberly. "The Strange Ups and Downs of the U.S. Economy Since 1929." The Balance. Accessed May 20, 2017. <https://www.thebalance.com/us-gdp-by-year-3305543>.

Table 2. Sample Table of the Financial Data of 30 Museums

Column	contributions 20	gov't grants 20	earned income 20	investments 20	special events 20	total revenue 20	total expense 20
Aurora Colony Historical Society Incorporated	128151	0	69798	-12402	23949	185547	224112
Boone County Historical Society	71400	0	7270	16921	3252	155124	50999
Des Plaines Historical Society	60,727	246090	3539	1448	188	360254	352777
Eastern Shore of VA Historical Society	34107	0	73675	29020	24508	136802	200395
GREATOR BRISTOL HISTORICAL SOCIETY INC	43423	15903	24375	15	13709	67813	83882
LEWES HISTORICAL SOCIETY	124,317	3850	207025	168174	111050	503,366	287593
Reedville Fishermen's Museum	84,031	0	127739	10300	34,558	222,570	241456
Jefferson County Historical Society	138972	136,615	25178	6494	17161	307900	284,690
Key West Art & Historical Society Inc	596952	33419	859643	15,946	0	1,506,730	1004248
SALEM COUNTY HISTORICAL SOCIETY	45,667	62,507	17680	67,321	13,308	196184	234,842
Yamhill County Historical Society	296857	0	6500	1180	0	304537	81527
Kona Historical Society	460,322	126314	176909	2121	3,292	771,012	375759
PETTAQUAMSCUTT HISTORICAL SOCIETY	328,108	1,000	62364	-3,627	0	394,334	222,580
REHOBOTH BEACH HISTORICAL SOCIETY	154883	0	29456	2658	22532	195111	186856
SALEM HISTORICAL SOCIETY	509552	35,000	74464	32631	0	651997	113500
Southern Oregon Historical Society	173285	200282	259803	98	47358	633468	539043
EAST HAMPTON HISTORICAL SOCIETY INC	304,613	5,000	142459	94,667	111,979	546,739	392,673
Harrisonburg-Rockingham Historical Society	124,556	8925	24185	28856	3051	186,543	162806
SUSQUEHANNA COUNTY HISTORICAL SOCIETY AND FREE LIBRARY ASSN	664,093	345800	67949	121100	22,225	1198942	929,397
HISTORICAL SOCIETY OF FREDERICK COUNTY INC	293173	56420	110840	-124,895	20,314	336,971	566,502
Kitsap County Historical Society	68860	41352	41066	28	23114	109954	94034
Tillamook County Pioneer Museum	28079	136461	32082	82025	8874	278647	214226
Great Lakes Historical Society	168,285	120,916	81488	28,486	25,424	399,175	458718
Columbia County Historical Society	278,311	60,000	79589	8047	24289	425,956	319582
NEEDHAM HISTORICAL SOCIETY INC	45136	0	-11975	16511	0	51178	103900
MANCHESTER HISTORICAL SOCIETY INCORPORATED	62,320	0	38952	41879	18204	147,631	173,564
New Canaan Historical Society	225,351	6,875	32942	26,481	15,796	291,649	339689
MILFORD AREA HISTORICAL SOCIETY INC	16262	5000	43411	7362	0	72356	94997
St Petersburg Historical Society	127,874	16,336	91661	17068	39,237	254,520	363,152
Highline Historical Society	32496	52814	9039	763	5662	95175	103659

Chapter 4: Findings

1. Introduction

The purpose of this study was to analyze how museums survived the loss of government funding during the Great Recession of 2008. Seven museum executive directors in seven institutions were interviewed, using a 12-question open-ended interview instrument. The seven museums in question were the Washington State Historical Society (WSHS), the Oregon Historical Society (OHS), the Burke Museum of Natural History and Culture (Burke), the Eastern Washington State Historical Society (EWSHS), the Lincoln County Historical Society (LCHS) in Oregon State, the Issaquah Historical Society (IHS) in Washington State, the Renton History Museum (RHM) in King County, Washington State. In the second part of this chapter, the data was analyzed to help further a general understanding of responses to the economic recession.

2.Semi-structured Interview

Interview questions were divided into three sessions: the situation before the recession, the situation during the recession, and the situation after the recession.

(The first session was mainly focused on each museum's fiscal conditions before the economic crisis of 2008 and just after it occurred and what financial preparations were initiated for the economic recession immediately after it began.)

1. What was the amount of government appropriations on average? What was the major source of revenue? How did the government appropriation change?

All interviewed museums but one reported that government support was the major source of revenue before the economic crisis of 2008 and just after it occurred, as indicated by Table 1 (See Page 15), and it was the second major revenue source for OHS. The average governmental support before the occurrence of the Great Recession ranged from around 30% to 76%.

The government support changed differently within the sample group. Two of the museums had been zeroed out from the state government budget in 2006-2007 and 2008-2009 respectively. However, government financial support of the remainder of participants declined gradually ranging from approximately 2%-10% per year at different points in time during the recession. One respondent was impacted by the economic decline as late as 2010.

2. Did the museum sense any sign of cutbacks?

All of the museums were aware of the coming economic recession. Government funding cutbacks were expected, but when and how the cutbacks would come was unknown to all the respondent museums.

3. Did the museum feel prepared when it was notified that the cutbacks were inevitable?

All the museum directors understood that cutbacks would not be restored soon but museums responded differently. Four of the museums prepared plans to lay off staff, institute hiring freezes, eliminated positions, and cut programs before the coming of recession; two of the museums directors noted that they tried to find more income options, such as building up

endowment, creating more earned income programs, and investing in real estate; one of the museums had not respond.

(The second session is mostly concerned with what methods and strategies museums took in response to the reduction in government support.)

4. Which area within the museum took the most brunt?

Exhibitions appeared to take the most brunt, although other areas took the brunt as well, which varied in different museums. Among these seven museums, exhibition was mentioned four times, and facility management and collections were mentioned twice respectively. Other areas included facility rental, visitor service, and administration. One museum did not report.

5. What steps did the museums take to deal with all the effects (layoff, cuts, system restructure)?

Laying off staff member was the most frequent step, but there were other steps as well. Laying off staff members was mentioned four times. Reducing open hours and cutting vacant positions were both mentioned twice. Other steps, such as cutting programs, reducing administration expense, mortgaging a museum's facility, drawing on reserves, looking for grants, utilizing social media to reduce communication expense, holding special events for fundraising, lobbying at the state legislature, re-organizing and consolidating each position's responsibilities were mentioned once each. Also, two of the museums noted that their current staff was already lean, so there was little room to reduce staff size.

6. Were there any obstacles in the way of mitigating the effects of economic recessions?

Cooperation with museum boards was the most reported obstacle, and the other obstacles involved funding sources and volunteers. Four museums responded that they felt reluctance on the part of the museum board to respond to the recession because boards were reportedly unwilling to create new initiatives for fundraising or to change the staff working schedules. Three museum directors noted that social service organizations increased their demands on the government and the public, and museums had to compete with them for public financial resources. Furthermore, these directors expressed the concern that people were more likely to make donations to social services or colleges rather than museums. Meanwhile, two directors noted that looking and applying for grants was time-consuming and complicated, and it took too long to be informed of the results. One director also noted that many volunteers did not want programs to be cut because they had served for a long time in that program.

7. What resources did museums draw on to plan for or respond to cuts?

The resources that museum drew on varied. Two of the museums mentioned that they held new fundraising events and special programs to seek financial help from the community. Two other museums noted that they received grants from private foundations. Three museums chose to look for help among their volunteer resources, draw down on museum reserves, and seek assistance from the business professionals on the museum board, respectively.

8. Was there any discussion on incoming funding changes among your associated professional circles?

All the respondents reported that there were discussions on the economic recession and funding shortfalls in their associated professional circles. However, attending conferences or engaging in professional discussions did not result in any substantial contribution to help the survival of museums.

(The third session focused on how well did the methods and strategies employed by the public museums work? What was the result?)

9. On the scale of 0-5, how do you rate your ability to respond to the funding cut situation starting from late 2008?

Six interviewed museums rated their performance at a score around 4 to 5, and all of them expressed that their museums had done their best and made full use of the resources. One of their museums rated its performance 4 because they believed they should have started to put money aside for technology maintenance earlier. One of the museums did not respond.

10. How did the revenue sources change?

The main change of revenue sources was that museums decreased their reliance on a single level of government support and, therefore, diversified their revenue sources. Two museums noted that they decreased their reliance on a single level of government funds. One of them, with a history of receiving state appropriations, successfully obtained a steady and accountable revenue from the county through a tax project campaign. The other one proactively proposed to reduce

the amount of appropriation that it received from the city government, and let its parent organization support more. Three other museums noted revenue diversification. One of these museums increased its lines of revenue sources from six to twenty. Another museum noted that revenue diversification was already one of the three goals of the museums. The museum opened new programs that could bring in money and experimented with many forms of fundraisers. Another museum noted the shift in regional demographics, and devised new programs based on this shift.

11. What were the main factors that made the survival possible?

Community support was mentioned most and other factors varied. Three of the museums agreed that community support was essential. In one case, the director noted the importance of the local community's involvement in helping the museum. In two other cases, one museum director noted that the community proactively organized a campaign at the legislature for the museum. It eventually prevented the government from zeroing out the government support. The other museum mentioned that the special district tax that passed in their county really showed the community's support. The other four directors noted that reprioritizing museums work, adopting for-profit business policies, interests from endowment, and cutting wisely were main factors in surviving.

12. What question should we have asked that we didn't?

Two of the museum directors mentioned the involvement with community issues and good relationships with the local government were critical factors in keeping museum doors open in

the recession period. Another director noted that keeping a plan for a worst-case scenario in place and making volunteering a part of the museum were also important. The other museum directors did not respond.

3. Document Analysis

The second methodology used to generate data for this study was document analysis. This document analysis examined the IRS Tax Form 990 (990) for 30 history museums and historical societies who experienced a decline in government grants after 2006. (A list of the museums selected can be found in Appendix X.) The focus was on the changes of revenue, fundraising capability, and revenue diversification from 2006-2011, a period just before and just after the Great Recession of 2008. Six key variables and indicators were examined: government grants, contributions, earned income, and investments, fundraising efficiency, and revenue concentration.

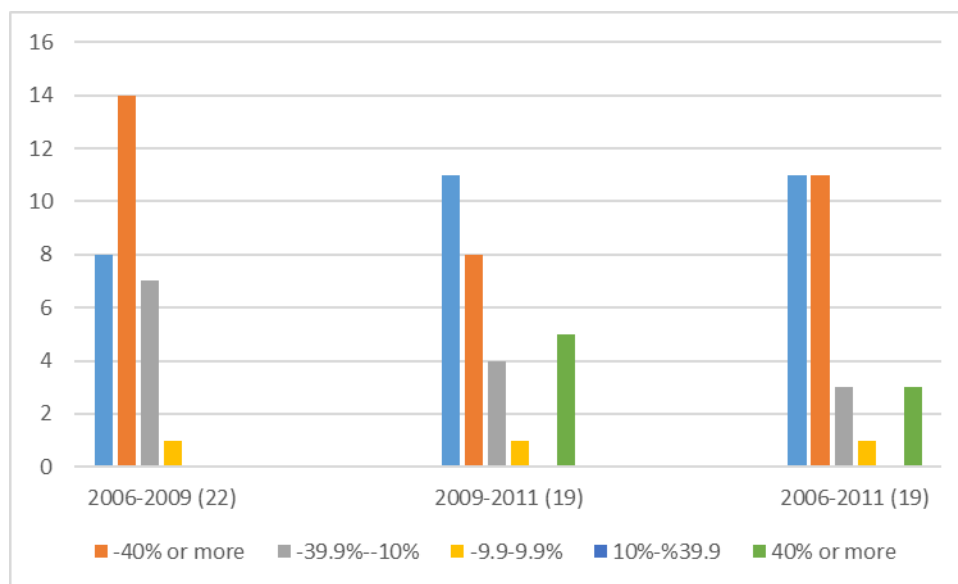
3.1 Government Grants

According to Guidestar, the government grants was defined as “contributions from federal, state, or local governments that are considered to provide a direct benefit to the general public.”⁵³

Government grant numbers of the 30 museums in 2006, 2009, and 2011, were drawn from the 990s. The Figure 4 below illustrates the number changes of between 2006 and 2009, 2009 and 2011, and 2006 and 2011 by percentage.

⁵³ " Understanding the IRS Form 990 Share11 Understanding the IRS Form 990." Guidestar. Accessed May 23, 2017. <https://www.guidestar.org/Articles.aspx?path=/rxa/news/articles/2001-older/understanding-the-irs-form-990.aspx#part1>.

Figure 4. Changes in Government Grants (2006-2011)

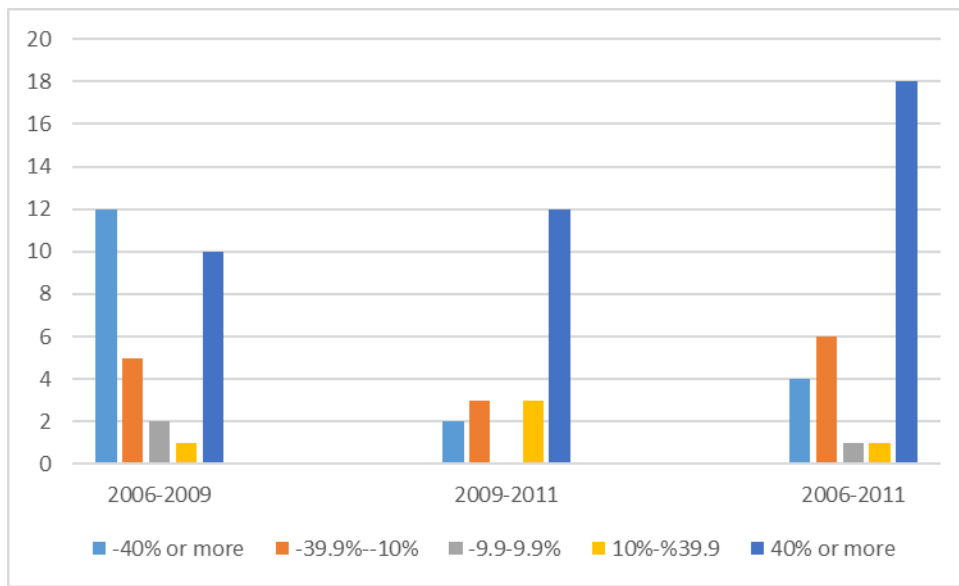


From 2006 to 2011, all selected 30 museums had experienced a severe funding decrease from the government. (See Figure 4) In 2006, all 30 museums received varying degrees of government grants, ranging from about \$4,000 to \$56,584. In 2009, eight out of 30 museums' funding from the government had been zeroed out. Among the museums that still received government funds, the declines of government support, compared with the amounts in 2006, ranged from -2% to -91%. From 2009 to 2011, the number of museums that experienced a decrease in government grants dropped compared to the change between 2006 to 2009. The government grants to 11 museums were cut off in 2011. Among the remaining 19 museums, six museums received increasing grants from the government. Apart from one extreme case, in which the grants a museum received had increased by 1404% compared with the amount in 2009, five other museums saw increases that ranged from 5% to 306%. In 2011, among the 19 museums that still received government grants, only 3 of them had their government grants restored to or exceeded beyond the level of 2006.

3.2 Contributions

The number of contributions on the 990s were the aggregate of the income of federated campaigns, membership dues, and fundraising events. Contributions to the 30 museums were drawn from the 990s in 2006, 2009, and 2011. The Figure 5 below illustrates the changes in contributions between 2006 and 2009, 2009 and 2011, and 2006 and 2011 by percentage.

Figure 5. Changes in Contributions (2006-2011)



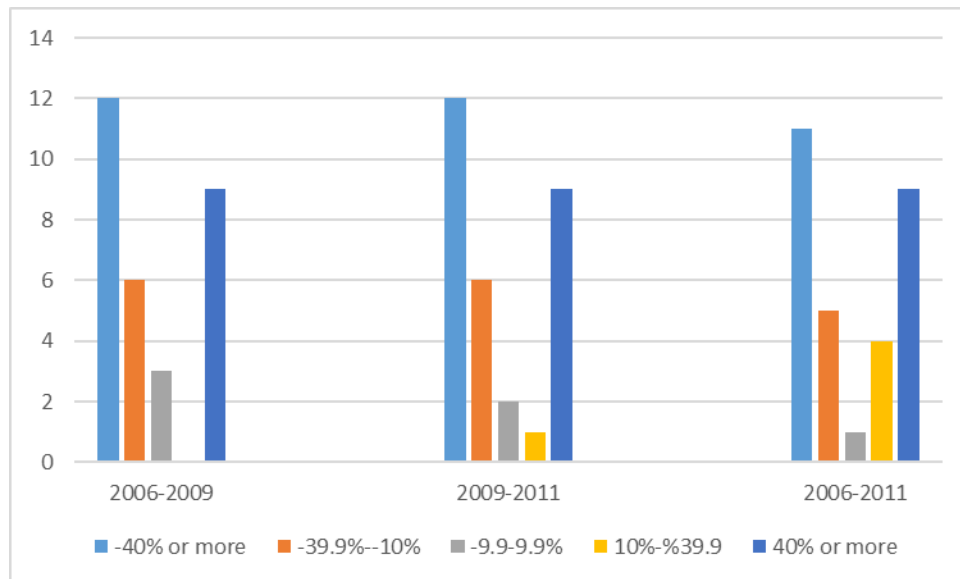
From 2006 to 2011, the revenue from contributions had a mix of experiences, but 19 out of 30 of the museums saw an increase throughout. (See Figure 5) When comparing the contributions that museums received in 2006 and 2009, 18 out of the 30 museums experienced varying drops in contributions, ranging from -8% to -83%. However, 12 museums saw an increase in contributions. Apart from one case in 2009, in which contributions in 2009 had increased by 2487%, the range of increase of the other 11 museums was from 1% to 863%. When comparing the contributions that museums received in 2009 and 2011, 25 out of 30 museums saw varying contribution increases, ranging from 20% to 723%. When comparing the contributions that

museums received in 2006 and 2011, the amount of contributions of 11 museums had not yet been restored to the baselines as recorded in 2006. Nineteen museums saw an increase in contributions ranging from 23% to 1668%.

3.3. Investments

The investments on the 990s was defined as “the total of income from dividends, interest and from the disposition of capital assets.”⁵⁴ Investments data of the 30 museums were drawn from the 990s in 2006, 2009, and 2011. The Figure 6 below illustrated the percentage changes of investments between 2006 and 2009, 2009 and 2011, and 2006 and 2011.

Figure 6. Changes in Investments (2006-2011)



Investments experienced severe drops between 2006 and 2009. (See Figure 6) In 2009, 19 out of 30 museums experienced a decrease ranging from -4% to -178% when compared to 2006.

⁵⁴ "New990 - New York City, Long Island, Westchester | NPCC." Nonprofit Coordinating Committee of New York. Accessed May 23, 2017. <https://www.npccny.org/new990/>.

Eleven museums experienced increases, ranging from 1% to 621. In 2011, the investment income of 20 museums declined from -5% to -725%. The other 10 museums had seen a growth in investments. When comparing the investment revenue in 2006 and 2011, 17 out of 30 museums saw a decrease of investment income ranging from -100% to -9%,

3.4. Earned Income

In the 990s, earned income consisted of program service fees, sales, and special events. Program service was defined as “revenue derived from charging for services” and sales was defined as “income from the sale of inventory items, typically items the filer makes to sell to others or buys for resale.”⁵⁵ Special events was defined as “all special fundraising events and activities.”⁵⁶

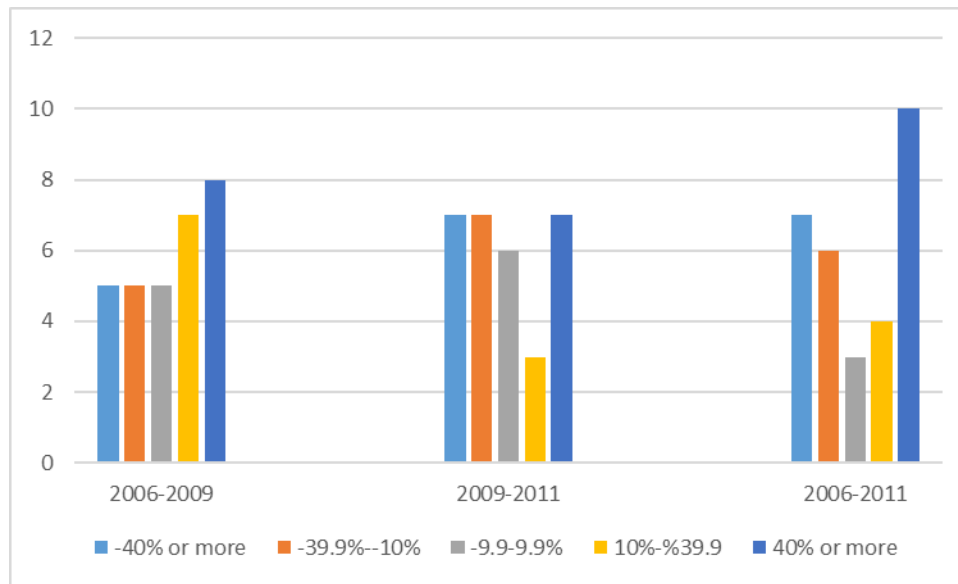
Earned income numbers of the 30 museums were drawn from the 990s in 2006, 2009, and 2011.

The Figure 4 below illustrates the number of earned income changes of between 2006 and 2009, 2009 and 2011, and 2006 and 2011 in percentage.

⁵⁵ "New990 - New York City, Long Island, Westchester | NPCC." Nonprofit Coordinating Committee of New York. Accessed May 23, 2017. <https://www.npccny.org/new990/>.

⁵⁶ "Glossary." Guidestar. Accessed May 25, 2017. <https://learn.guidestar.org/help/glossary>.

Figure 7. Changes in Earned Income (2006-2011)

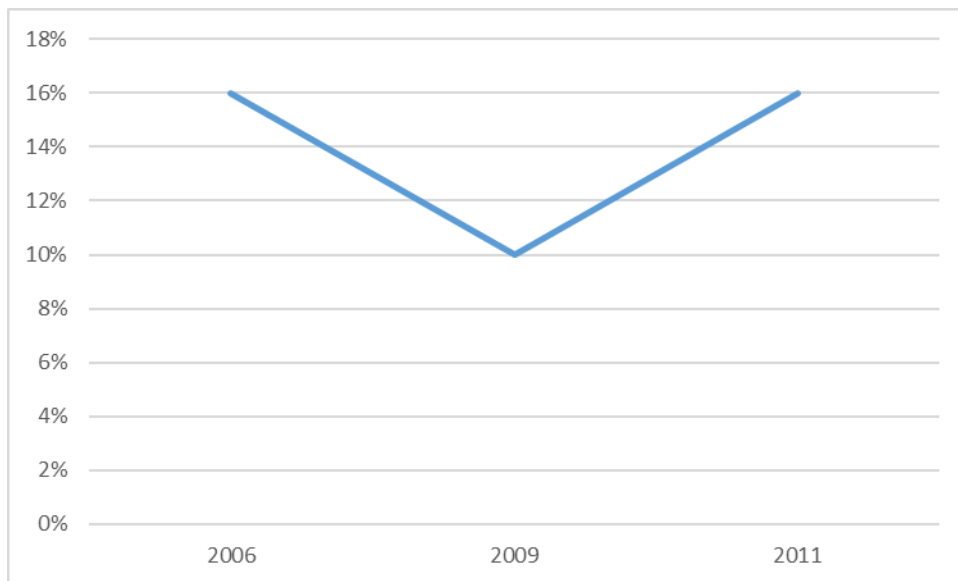


From 2006 to 2011, the change in earned income in the sample group of museums was uneven: nearly half of the museums saw a steady increase in earned income, and the other half saw a decrease. (See Figure 5) In 2009, 12 out of 30 museums saw a decline in earned income compared to 2006. Meanwhile, the increase in earned income in the other 18 museums ranged from 3% to 1153%. Four of the museums' earned income had increased more than 100%. In 2011, 18 museums saw declines in earned income ranging from -1% to -308%. Among the other museums with an increase of earned income, one museum experienced a sharp increase of 787% compared with 2009. In the period between 2009 and 2011, 17 museums suffered declines in earned income ranging from -1% to -308%. Twelve museums saw an increase in earned income ranging from 1% to 787%. Comparatively, from 2006 to 2011, 14 out of 30 museums experienced some loss in earned income. When examining the change of earned income in 2006 and 2011, the distribution of museums with decreased income and increased income is almost even (14 to 16); however, in several cases, the growth of earned incomes was even higher than 100%.

3.5 Fundraising Efficiency

Fundraising efficiency assesses the cost of generating a dollar of contributions, and thus the lower the ratio was the higher the efficiency. The figure below displayed the average fundraising efficiency ratios in 2006, 2009, and 2011.

Figure 8. The Average Fundraising Efficiency Ratio (2006, 2009, and 2011)

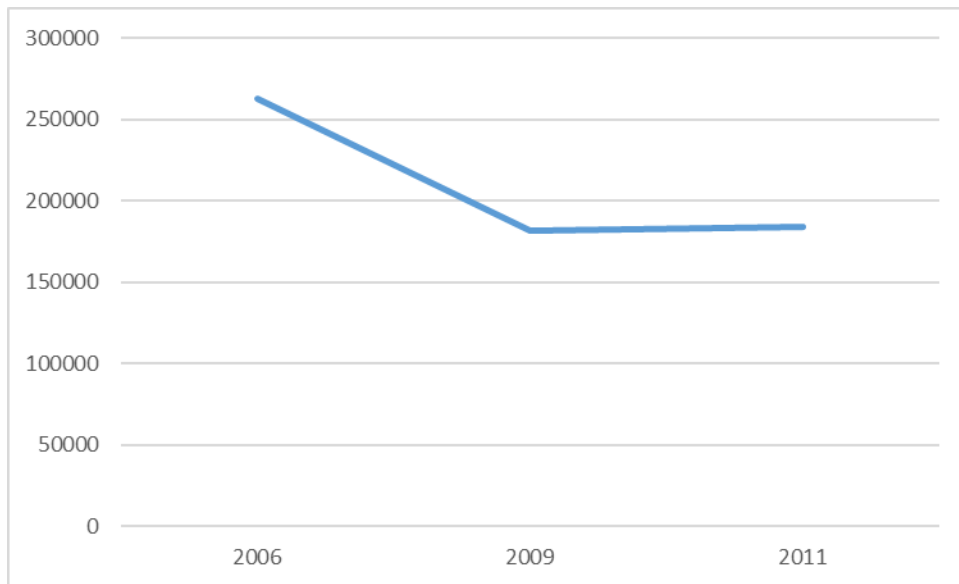


As the ratio was dropping between 2006 and 2009, and growing between 2009 and 2011, the fundraising efficiency of selected museums was increasing between 2006 and 2009, and decreasing between 2009 and 2011. (See Figure 7) In 2006, nine museums did not spend money in fundraising. The average fundraising efficiency ratio was 16%. In 2009, nine out of 30 museums did not spend money for fundraising. The average fundraising efficiency ratio was 10%, a decrease of 6% compared to 2006. In 2011, 8 out of 30 museums did not spend money in fundraising activity; the average fundraising efficiency ratio was back to 16%.

3.6 Revenue Concentration

Revenue concentration was defined as “the sum of squares of each revenue source divided by total revenues.”⁵⁷ Revenue concentration reflects a non-profit’s reliance on different forms of revenue, and it measures if this reliance has shifted over time. Thus, the revenue concentration index was used to indicate the average revenue diversification situation of the selected museums. The lower the number was, the more the institution was diversified.

Figure 9. Average Revenue Concentration Ratio (2006, 2008, and 2011)



The comparisons of revenue concentration ratios in 2006, 2009, and 2011 showed that museums’ revenue sources became more diversified. (See Figure 8) This indicated either a decrease in some museums’ major revenue sources or efforts to diversify sources of income. The average ratio in 2006 of all the selected museums was 262648. In 2009, the revenue concentration ratio

⁵⁷ Frumkin, Peter, Robert Caton, and Michelle Sinclair Colman. "How to assess nonprofit financial performance." (2001).

was 182021, a decrease of 30% compared to 2006. In 2011, the revenue concentration ratio rose to 184286, an increased 1% compared to 2009.

Chapter 5: Discussion

The purpose of this study was to analyze how museums survived the loss of government funding during the Great Recession of 2008. This section will discuss the findings from the interviews and document analysis.

1. Semi-structured Interview--Session 1

(Interview question 1 through question 3)

The first session was mainly focused on each museum's fiscal conditions before the economic crisis of 2008 and just after it occurred and what financial preparations were initiated for the economic recession immediately after it began.

According to the findings from Question 1 through 3, all the museums, except the Oregon Historical Society, considered government support as the major revenue source. Also, it appeared that local and state government made different funding cuts on museums. All the museum directors were aware of the coming recession but did not know when the government funding cuts would happen. All suspected that if cuts were made, that it was unlikely that they would ever be restored. It seemed that some had prepared plans for the economic situation ahead.

2. Semi-structured Interview--Session 2

(Interview Question 4 through Question 8)

The second session is mostly concerned with what methods and strategies museums took in response to the reduction in government support.

According to the question 4 through question 8, it appeared that laying off staff was the most common step taken to deal with the effects caused by the Great Recession. The interviews also showed that the exhibition work of museums was most impacted. However, the tense relationships between directors and boards, particularly boards that did not support some important moves that were proposed by the directors, and the more competitive funding environment were the two main obstacles for several museum directors. Meanwhile, it appeared that communications within the professional groups did not help museums respond to the recession.

The help from museum boards benefited the museums. One of the board members major responsibilities is to assure the financial stability.⁵⁸ Although in the interviews, two directors reported the reluctance and unwillingness of the museum board to make some progressive decisions about raising money or saving money, three museum directors noted the importance of the help from the board. In one case, two board members with financial backgrounds from the non-profit and for-profit sectors made constructive suggestions to the director to help the museum.

Reprioritization of museum projects made contribution to the museums' financial sustainability. Although several directors mentioned the intense competitions with social service institutions for funds from the government, private foundations, sponsors, and individual donors, directors also expressed the need to prioritize museum projects. Such as reprioritizing programming to ensure that programs are to the taste of the local community and meet the mission of grant-providers. 4Culture's guidelines for providing grants stated, for example, that grants were provided to the

⁵⁸ Lord, Gail Dexter, and Barry Lord. *The manual of museum management*. Rowman Altamira, 2009.

organizations that fit their mission and served the local community.⁵⁹ When planning programs, museums would be wise to keep a few foundations' grant requirements in mind.

3. Semi-structured Interview--Session 3

(Interview question 9 and question 11)

The third session focused on how well did the methods and strategies employed by the public museums work? What was the result?

According to question 9 through question 11, the main change of revenue sources was that museums decreased their reliance on a single level of government support and diversified revenue resources. All of the museums were satisfied with their response to the government funding cuts in the Great Recession. Also, community support was noted by 4 museum directors as a main contributing factor in their survival.

As it was noted in session 2, the importance of community was not only reflected in the session 2 that in many cases museums should be a good culture servant of local community, but also reflected in the sessions 3 as in two extreme cases, in which the community support prevented the museums from shutting down.

4. Document analysis

The focus was on the changes of revenue, fundraising capability, and revenue diversification from 2006 to 2011, a period just before and just after the Great Recession of 2008.

Changes of Government Grant, Contributions, Investments, Earned Income

⁵⁹ "Art Projects." 4Culture. Accessed May 25, 2017. <https://www.4culture.org/grants/art-projects/>.

With the government grants cutbacks in 2006 according to Figure 4 through Figure 7, it appeared that contributions in all of the museums and earned income in half of the museum saw an increase throughout the Great Recession. Investments, however, saw a decrease.

From 2006 through 2011, the increase of contributions to the museums in this study seemed to conflict with the conclusion that non-profit organizations suffered a severe funding shortage in sponsorships and donations in Chapter 2. However, the increase of earned income and the drop of investments of this study group seem to agree with the discussions in Chapter 2 about the decline of investments and increase of earned income.

Changes of Fundraising Efficiency and Revenue Concentration

According to Figure 8 and Figure 9, the fundraising efficiency of the museums selected for this study increased and their revenue sources became more diversified during the Great Recession.

The conflict between the growth of contributions (see Figure 5) and the decrease of total charitable giving during the economic recession (see Figure 1), and a higher fundraising efficiency (See Figure 8) during the same period seemed to indicate that the museum sector increased its fundraising capabilities as revenue sources ceased to exist or became severely limited. It also seemed that the museum sector remained competitive in seeking public support within the non-profit field. While government grants and investments revenue went down, the growth of contributions and earned income made museum finance become more diversified

during the Great Recession. (See Figure 9) The diversification made museums less financially vulnerable.⁶⁰

The diversification that reflected in both interview analysis and document analysis was one of the answers to the question that how museums survived the loss of government funding during the Great Recession. As early as 2007 to 2008, the charitable giving to nonprofits decreased sharply. Meanwhile, in 2008 to 2009, nonprofits began to receive less government support than the previous year. However, it was during 2006 to 2009, fundraising efficiency and earned income to the selected museums increased. Also, as the Figure 9 showed, the selected museums started to reduce the reliance on one single source in the same period. These collectively indicated that museums responded in the way of diversifying revenue sources and this diversification might have initiated in the period of 2007-2009. However, as only one director indicated the plan on diversification revenue when seeing the coming economic recession, this reaction of diversification might be a passive response to deteriorating economic environment in the Great Recession.

Furthermore, it is necessary for museums to have a revenue diversifying plan in place for dealing with downturns and funding cuts. 14 out of 30 selected museums reported 40% or more government funding cuts in 2006 – 2009, and charitable giving started to go down in 2007, which was earlier than the official start of the recession. A revenue diversifying plan helped reduce the financial vulnerability of museums.⁶¹ Thus, it is necessary for museums to have plans

⁶⁰ Carroll, D.A., & Stater, K.J. (2009). Revenue diversification in nonprofit organizations: does it lead to financial stability? *Journal of Public Administration Research and Theory*, 19(4), 947-966.

⁶¹ Carroll & Stater: 947-966.

in place for dealing with future unexpected financial troubles, because they might be better positioned to respond more quickly.

However, the negative effects of revenue diversification also need to be considered. According to K. A. Froelich, dependence on multiple funders means that museums have to meet the requirements of different organizations and individuals, which might make relationship management complex and time-consuming.⁶² Also, other scholars stated that increasing revenue income from commercial activities and private donations might crowd-out government funding, and the community might underestimate the necessity of their contribution.⁶³ However, being consistent with the museum's mission, and undertaking diversification with transparency to individual donors and long-time funders might help mitigate these negative effects.

⁶² Froelich, K.A. (1999). Diversification of revenue strategies: Evolving resource dependence in nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 28(3), 246– 268.

⁶³ Carroll & Stater: 947-966; Fischer, R.L., Wilsker, A. & Young D.R. (2011). Exploring the revenue mix of nonprofit organizations: Does it relate to publicness? *Nonprofit and Voluntary Sector Quarterly*, 40(4), 662-681.

Chapter 6: Conclusion

The purpose of this study was to analyze how museums survived the loss of government funding during the Great Recession of 2008. Two methodologies were adopted to investigate actions and strategies that the selected museums took to address the funding cuts. The data gathered from the semi-structured interview indicated that advice on finance management from the board members and various ways of community support kept museum financially sustainable. Document analysis showed that the diversification of revenue sources was the main factor that helped museums survive the cutbacks of government funding for the 30 selected museums. Also, the early start of national charitable giving and a big decrease in government funding suggested the necessity of having a revenue diversifying plan in place. To summarize, revenue diversification was the main factor that helped museums survive the loss of government funding during the Great Recession of 2008. Advice and suggestions from board members and collective support from museums' local communities also made significant contributions. Also, having a revenue diversifying plan in place could help museums to address future government funding difficulty.

The limitation of this study was that there were only seven participants in the semi-structure interview portion of this study and only thirty museums were examined in the document analysis. Also, some participants did not answer all the questions that were prepared for the interview, which left a gap in the data.

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