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## Museum Funding In Pennsylvania

Conducted Pursuant to Senate Resolution 2012-268

November 2012

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## Summary and Recommendations

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Senate Resolution 268 calls on the Legislative Budget and Finance Committee (LB&FC) to evaluate and make recommendations for improving how the Commonwealth funds museums. The study is to include an analysis of current museum funding and recommendations “necessary or desirable to improve the funding of museums in the Commonwealth.”

We found:

1. ***The economic impact of museums on the overall economy of the state and in the communities in which they are located is significant (pages 3-17).*** Tourism is one of Pennsylvania’s largest industries, injecting approximately \$33 billion annually into the Commonwealth’s economy and generating more than \$3.4 billion in tax revenues each year for state and local governments. By one estimate, 13,000 staff persons are employed by Pennsylvania’s museums, and more than 25,000 Pennsylvania businesses are involved in arts and culture-related creative enterprises. In January 2011, about 127,470 Pennsylvanians were employed in these businesses, primarily in film, radio, and television; design and publishing; visual arts and photography; and the performing arts. In addition, museums contribute much to the state through maintaining historical artifacts and providing educational and cultural enrichment opportunities for school children and families.
2. ***State funding for museums has traditionally flowed through PHMC and PCA, with additional tourism/economic development-related funding available through DCED (pages 21-37).*** Prior to the economic downturn that began in 2008, Pennsylvania museums received funding through a variety of state programs and agencies, including the Pennsylvania Historical and Museum Commission (PHMC), the Pennsylvania Council on the Arts (PCA), the Department of Community and Economic Development (DCED), and several nonpreferred line item appropriations. This rather disjointed “system,” although not unusual among the states, has been criticized as lacking coordination, with funds often going to those organizations that are the most politically connected, not necessarily the most deserving.
3. ***State funding has been dramatically reduced for both state-owned and nonstate-owned museums (pages 21-37).*** State funding of nonstate-owned museums (PHMC, PCA, DCED, and nonpreferred appropriations), which totaled \$29.3 million in FY 2005-06, fell to \$2.7 million in FY 2011-12, recovering slightly in FY 2012-13 to \$3.7 million. No museum received

a nonpreferred appropriation in either FY 2011-12 or FY 2012-13. Funding for state-owned museums, including PHMC general government operations, also fell, from \$39.8 million in FY 2005-06 to \$26.0 million in FY 2012-13.

4. ***The economic downturn and loss of state funding has affected both state-owned and nonstate-owned museums (pages 41-51).*** We surveyed Pennsylvania museums that have received state funding (PHMC, PCA, or DCED) in recent years to assess what impact they believe the loss of state funding has had on their operations. While to some extent the responses varied by size of the organization, responding organizations most frequently indicated that as a result of the loss of state funding they must now spend more time on fundraising (88 percent), must rely more on volunteers (56 percent), have reduced their paid staff (49 percent), and are seeking new sources of earned income (49 percent). More than half of the larger museums reported having to raise admission prices.
5. ***PHMC has not followed its regulations in awarding grants (pages 52-55).*** We found many examples of PHMC awarding grants: (1) for amounts greater than allowed in regulation (the regulations cap Special Project Support grants at \$30,000, Technical Assistance and Local History Project Support grants at \$3,000, and Keystone Preservation grants at \$25,000), (2) to organizations such as performing arts theatres, TV/radio stations, and statewide associations that are not eligible for grants, and (3) to provide general operating support, a purpose which is specifically prohibited in the regulations. PHMC explained that these grants were awarded under the History and Museum Grant program, established in 1996 with the support of the Governor and General Assembly. We, however, could find no statutory or regulatory language establishing such a program and therefore believe the existing regulations should apply.
6. ***PCA has developed a nationally-recognized system for awarding grants and for collecting and analyzing data from museums and other cultural organizations (pages 55-57).*** In 2004, the Pennsylvania Council on the Arts won an *Innovations in American Government* “Best and Brightest” award for its Responsive Funding System. RFS uses various factors, including an organization’s budget and past performance assessment scores, to assist the Council in making grant awards. PCA has also pioneered a data collection and reporting tool called the Cultural Data Project, which is a “one-stop” source of data for grant awarding organizations.
7. ***Museums cite consistency of funding as the most important factor should a new funding formula be developed (pages 57-62).*** We asked museums to prioritize among eleven factors those that they believe to be

most important should the Commonwealth restore museum funding to pre-2008 levels. While small and large museums had some differences in priority, as a group the four highest priorities were “multi-year funding commitments,” “dedicated, restricted funding stream,” “simplification of funding categories,” and “funding formula based on weighted factors.”

We recommend:

1. ***PHMC and PCA explore the creative funding strategies in use in other states and cities for funding museums and cultural activities in Pennsylvania.*** A recommendation to restore museum funding or to establish a dedicated funding stream to support museums is the prerogative of the Governor and General Assembly. That said, several states and municipalities have enacted dedicated taxes or fees (e.g., using a portion of hotel/motel fees, state sales taxes, corporate filing fees, special license plates, and income tax check-offs) to support the arts and museums. We also note that the Allegheny Regional Asset District receives half of the proceeds from the county’s 1 percent Sales and Use tax, which is used in part to support the arts and museums. We recommend PHMC and PCA work with the newly formed Art and Culture Caucus of the General Assembly to explore the feasibility of one or more such options to restore museum funding.

We are also aware of PHMC’s desire to reinvigorate the Pennsylvania Heritage Society, now called the Pennsylvania Heritage Foundation, for the purpose of raising funds for state-owned museums and historic sites. We recommend PHMC consider expanding this mechanism to include raising funds for nonstate-owned facilities.

2. ***PHMC assume a greater leadership role for the state’s historical museums and sites.*** Because funding streams in Pennsylvania are spread across many departments, separated in most instances by type or function, the three largest cultural sector agencies, PHMC, PCA, and DCED, have difficulty coordinating their efforts. We also recommend these agencies work more closely together as a united group to advocate for their jointly held cultural mission and to ensure parity between their respective constituencies. To accomplish this, we also recommend PHMC continue exploring divesting the Commonwealth of museums and historic sites to local regional partners. This would allow staff to better focus on the statewide mission to advocate for both state-owned and nonstate-owned museums and explore alternative funding mechanisms.
3. ***PHMC, PCA, and DCED actively participate in the recently created Arts and Culture Coalition to help ensure its relevancy and as a venue for improved communication and transparency.*** Historically, museums and

statewide cultural interest stakeholder groups in Pennsylvania have not worked together as a cohesive force on issues of mutual interest. Rather, they have been fragmented and sometimes divisive when approaching the state for assistance, including funding requests. The Arts and Culture Coalition was formed in 2011 as an ad hoc group to work together to advocate for common goals held by museums, historical societies, and other cultural organizations, including the restoration of state funding. It includes representatives from arts organizations, museums of all types and sizes, zoos, humanity focused organizations, public broadcasting, and state agencies. Participation by relevant state agencies should help strengthen the Coalition's efforts in this regard.

4. ***PHMC and DCED take steps to publicize the State Historic Preservation Tax Credit that begins on July 1, 2013.*** Act 2012-85 allows for a historic preservation tax credit for the rehabilitation of historic structures that are income-producing and under private ownership. This tax credit will be another source of funding for historic preservation, potentially freeing up PHMC and DCED resources that in the past have been used for these purposes.
5. ***PHMC ensure that any grants they award are authorized under their statute and regulations.*** If PHMC believes the current regulations are obsolete, new ones should be promulgated.
6. ***If the General Assembly appropriates sufficient funds to re-establish a museum support program in the future, we recommend PHMC, working in conjunction with its partners, propose a new grant program that would incorporate the following features:***
  - a. ***Streamlined.*** PHMC's regulations provide for four different grant programs: Museum Assistance Special Project Support grants, Museum Assistance Technical Assistance grants, Local History Project Support grants, and Local History General Operating Support grants. PHMC also administers the Keystone Preservation grant program funded through the Keystone Recreation, Park and Conservation Fund and has created several additional categories of grants not specifically provided for in its regulations. We recommend that PHMC reduce the number of different types of grants that they administer to no more than three or four.
  - b. ***Uses a verified, accepted list of museums.*** While PHMC regulations include a definition of a museum (a public or private nonprofit agency or institution organized on a permanent basis for essentially educational or aesthetic purposes, that utilizes a professional staff, owns or utilizes

tangible objects, cares for the tangible objects, and exhibits the tangible objects to the public on a regular basis), there is no authoritative list of Pennsylvania museums. Such a list is, however, being compiled by the Institute for Museum and Library Services based upon the definition of a museum as found in federal regulations, which is identical to the definition found in PHMC regulations. We recommend PHMC use this list, with additions or deletions as necessary, in any future museum assistance program as a way to determine eligible organizations.

- c. *Allows for general operating support and multi-year funding.* Although PHMC has allowed Museum Assistance grants to be used for general operating support, this is not an allowable use under its regulations. Both PHMC and the museums we surveyed believe, however, that funding for general operating support is critical and that state funds should be allowed to be used for this purpose. Museums also cited “multi-year funding commitments” as one of their top priorities in any new grant program. Multi-year funding commitments are difficult for any program that depends on year-to-year General Fund appropriations, but we recommend PHMC explore the feasibility of such a provision.
- d. *Formula-based.* One of the comments we heard frequently was that the PHMC grant process should be more transparent. To achieve this, we recommend PHMC distribute its general operating assistance grant funds for museums and county historical societies using a performance-based formula comprised of several verifiable criteria. Based on responses received from our survey, key criteria include educational/outreach programming, diversity of exhibits and programming, operating budget size, days open to the public, and number of visitors. Given Pennsylvania’s regional diversity, such a formula may have to be supplemented with a peer review process, such as is done by the Pennsylvania Council on the Arts, to aid in making regionally based funding decisions. We also recommend that PHMC revisit the issue of using American Alliance of Museums accreditation as a funding factor after museums have had the opportunity to consider the new streamlined process put in place by the American Alliance of Museums.
- e. *Uses information from the Cultural Data Project.* We recommend that in any revived grant program, the PHMC encourage, or possibly require, its applicants to use PCA’s Cultural Data Project. The Cultural Data Project enables arts and cultural organizations to enter financial, programmatic, and operational data into a standardized online form. This data can then be used in a formula-based grant process or to produce a

variety of reports to help in grant decision-making. Its use also helps ensure the consistency of the information provided by applicants.

- f. *Takes into consideration other sources of state funding.* We found that some museums applied for, and received, grants through the various programs at PHMC and DCED, and in some cases through PCA, in the same funding year. We recommend these agencies take steps to ensure that entities that are eligible for funds from multiple state sources are viewed comprehensively (i.e., awards made by one state agency are factored in when seeking financial support from another state agency).
- g. *Grant closeout procedures.* We recommend PHMC incorporate appropriate grant closeout procedures in any new program it develops. Formal audits may not be cost-effective for grants under \$100,000, but PHMC should receive some feedback from its grantees—ideally including performance information—on how its funds are used. A requirement that grantees participate in the Cultural Data Project (described above) may provide sufficient information for this purpose.



# I. Introduction

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Senate Resolution 2012-268 directed the LB&FC to perform a study regarding the funding of museums in Pennsylvania. Please see Appendix A for a copy of the resolution.

## Scope and Objectives

The study scope and objectives as defined by Senate Resolution 2012-268 are to:

- conduct a study of this Commonwealth's museums, measuring funding and resources allocated to the museums;
- provide an analysis of the current museum funding; and
- provide recommendations necessary or desirable to improve the funding of this Commonwealth's valued museums.

For purposes of the study, we focused most of our review and analysis on the nonstate-owned museums. However, we have included the 43 state-owned museums and historical sites in several areas of the report as well. This is in recognition of the role that they all play in providing value to the Commonwealth and the impacts felt by all due to reduced funding levels.

## Methodology

To perform this study we worked with the Pennsylvania Historical and Museum Commission, the Pennsylvania Council on the Arts, the Pennsylvania Department of Community and Economic Development, the Pennsylvania Federation of Museums and Historical Organizations (now PA Museums), the Pennsylvania Coalition of Independent Museums, and the Greater Philadelphia Cultural Alliance and several of their members.

We also conducted a survey of recipients of the various sources of funding previously available to Pennsylvania's museums. This was done not only to collect demographic information, but to ascertain the impacts of the loss of state funding on museum and historical organizations and to gain their input on changes to the Commonwealth's funding system and priorities, if funding is restored.

## Acknowledgements

We wish to thank the staff and board members of the Pennsylvania Historical and Museum Commission, and the staff of the Pennsylvania Council for the

Arts, the Department of Community and Economic Development, and the Pennsylvania Department of Transportation. We also want to acknowledge all the assistance we received from the Pennsylvania Federation of Museums and Historical Organizations, the Greater Philadelphia Cultural Alliance, and other stakeholder groups and organizations. Finally, we acknowledge that much value was added to this report due to the input of the many museums and historical groups who took the time to respond to our survey.

### **Important Note**

*This report was developed by the Legislative Budget and Finance Committee staff. The release of this report should not be construed as indicating that the Committee's members endorse all of the report's findings and recommendations.*

*Any questions or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg Pennsylvania 17105-8737.*

## II. Positive Impacts of Pennsylvania's Museums

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Museums in Pennsylvania have existed almost as long as the founding of Pennsylvania by William Penn. Although no definitive list is available, it is estimated that there are over 1,200 museums and historical sites in Pennsylvania.<sup>1</sup> In 2002, a national study identified 17,774 museums nationwide, with Pennsylvania having 1,080 museums.<sup>2</sup> Pennsylvania's museums are an important part of the state's identity and have played a central role, both to the nation's history and heritage and to the history of museum development in the United States. Philadelphia boasts the country's first zoo and first public library, and has among the oldest and most renowned of the country's art museums, science museums, and historical societies.<sup>3</sup>

Most people would agree that museums provide some level of intrinsic value to their communities, as well as to the state as a whole. Through preserving the past and maintaining collections that adults and children alike can access, museums allow us to better understand events, inventions, and products important to each of us individually and collectively as a culture. Annually, thousands of adults and children in Pennsylvania, as well as tourists from out-of-state, visit museums, generating significant economic impact for the state.

Museums collect, store and catalogue information on a wide variety of subjects. Some museums specialize in one type of artifact, such as art, while others display a wide variety of information that help the visitor understand a period in time. Regardless, by collecting and preserving artifacts, art and data, researchers and ordinary citizens can explore the past and thereby understand better the present. Many museums charge very low admission or no admission. This makes museums low-cost family attractions which can be visited over and over.

In addition, research suggests that involvement in cultural activities, including museums, promotes a civil society. By helping to preserve and protect our Commonwealth's rich cultural heritage and by nurturing the artistic and creative ability of our citizens, the arts and history can promote the development of individuals into civic beings, an interest of highest priority to a democratic society. A national study released in November of 2006 and based on a large population survey, *The Arts and Civic Engagement: Involved in Arts, Involved in Life*, revealed that people who participate in the arts also engage in positive civic and individual activities at more than twice the rate than non-arts participants. Further, this study and many others demonstrate that the existence of arts and cultural activities can be

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<sup>1</sup> Pennsylvania Federation of Museums and Historical Sites web page.

<sup>2</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, pp.19-20.

<sup>3</sup> *Ibid*, p. 113.

seen as an indicator of civic and community health, both in rural and urban settings. Finally, available data suggests that most citizens in Pennsylvania support the work of museums and see value in their continued existence.

## **The Economic Impact of Museums in Pennsylvania**

One of the issues we tried to assess through this study was the effect museums have on the economy of their region and on the state as a whole. Although we could not find definitive data that measured the economic impact that museums specifically have had on the economy of Pennsylvania statewide, we were able to find information on the arts and culture sector as a whole, as well as selected exhibits hosted by individual museums.

Tourism is one of Pennsylvania's largest industries, injecting approximately \$33 billion annually into the Commonwealth's economy and generating more than \$3.4 billion in tax revenues each year for state and local governments.<sup>4</sup> The state has invested in tourism marketing for decades in recognition of the industry's substantial contributions to the state's economy, most notably in jobs for Commonwealth residents.<sup>5</sup> While traveling through Pennsylvania, many of these tourists will visit one or more of Pennsylvania's many museums and historical sites.

Museums and other arts related enterprises employ a substantial number of people in Pennsylvania. It is estimated that more than 25,000 businesses in Pennsylvania are involved in arts and culture-related creative enterprises. In January 2011, 127,470 Pennsylvanians were employed in these businesses, primarily in film, radio, and television; design and publishing; visual arts and photography; and the performing arts.<sup>6</sup> Additional Pennsylvanians are employed in businesses that provide supplies, material, food, transportation, and other essential products and services that museums and artistic enterprises need to operate. In addition, when a museum undertakes a capital building project, it contracts with a private architectural firm to design the building and then with one or more construction companies to build it, employing a substantial number of construction workers.

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<sup>4</sup> Governor's Executive Budget for 2012-13, p.E11.14.

<sup>5</sup> The Pennsylvania Tourism Office estimates that there were 433,000 Pennsylvanians employed in the tourism industry in 2009. Of that total, 283,000 work directly for tourism related businesses and organizations according to a coalition of museums, wineries, golf courses, hotels, restaurants, and attractions.

<sup>6</sup> *Creating Pennsylvania's Future Through the Arts and Education*, Education Policy and Leadership Center, March 2012, p.11.

## **Pennsylvanians Employed by Museums and Historic Sites**

The executive director of the Pennsylvania Federation of Museums and Historical Organizations (PFMHO) estimated 13,000 staff persons work in Pennsylvania's museums. He based this estimate on an informal review the PFMHO undertook a few years ago of their member museums of a certain size and then extrapolated the number for the state as a whole.<sup>7</sup>

The United States Census Bureau reported that in 2008 there were 6,545 museums, historical sites, zoos, and botanical gardens nationwide with 127,000 employees.<sup>8</sup> The majority of employees (85,000) worked for museums. The U. S. Census data also shows that there were 320 museums, historical sites, and similar institutions employing 6,420 staff in Pennsylvania in 2008. The Pennsylvania Department of Labor and Industry data shows that as of the first quarter of 2009, there were 304 museums, historical sites, and similar institutions employing 5,982 staff across the state. We note that the number of museums, historical sites, and similar institutions included in the data reported by these agencies is far below what others count as Pennsylvania's museum total.

## **State Agencies' Efforts to Measure Economic Impact of Museums**

Efforts by state agencies to measure the economic impact of museums in Pennsylvania have been limited. We asked the Pennsylvania Historical and Museum Commission (PHMC) and the Department of Community and Economic Development (DCED) whether they had undertaken any studies or had information that depicts the economic impact of Pennsylvania museums on their local economy and on the economy of the Commonwealth.

Both agencies reported that they had not conducted, nor were they aware of, any study of the economic impact of Pennsylvania museums. However, in December 2011, the Commission did release a study that addresses the economic benefits of historic preservation.<sup>9</sup> The report gathered and analyzed data on five areas of study: Federal Rehabilitation Investment Tax Credits, Potential Impact of a State Tax Credit, Property Values, Heritage Tourism, and Qualitative Impacts. Two key findings identified through the report that relate to economic impact were that:

- Historic preservation projects have leveraged federal resources through the Historic Rehabilitation Tax Credit program to stimulate considerable private investment statewide, resulting in \$7

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<sup>7</sup> No supporting documentation was available to be shared with the LB&FC.

<sup>8</sup> *Table 1231. Arts, Entertainment, and Recreation – Establishments, Employees, and Payroll by Kind of Business (NAICS Basis): 2007 to 2008*, U.S. Census Bureau, Statistical Abstract of the United States: 2012, p. 759.

<sup>9</sup> *Economic Benefits of Historic Preservation Activities in Pennsylvania*, December 2011, Pennsylvania Historical and Museum Commission. This research and analysis project was supported by a federal Preserve America grant from the National Park Service administered by the PHMC.

billion in project expenditures from 1978 to 2010. Those expenditures have led to \$17.1 billion in total economic impact in the state, supporting 148,000 jobs and generating \$380 million in state tax revenues.

- Historic preservation serves as a significant tourism draw. Heritage tourism accounts for 32 million visitors and \$1 billion in visitor spending each year which, when combined with direct expenditures associated with the ongoing operations of heritage tourism destinations, results in an industry that has a total annual economic impact of \$2.9 billion, supporting 37,000 jobs and generating \$90 million in state tax revenues.

At the time of the study it was noted that adding a state-level tax credit modeled after the Federal Rehabilitation Investment Tax Credit program would induce an additional \$55 million to \$110 million in historic preservation projects, which would conservatively create an additional \$130 million to \$270 million in total economic impact each year, support 1,200 to 2,300 jobs, and generate \$3 million to \$6 million in state tax revenues. This tax credit has since been adopted through Act 85 of 2012. Initially, the program is limited to \$3 million annually with an individual project cap of \$500,000. Beginning on July 1, 2013, this program offers a 25 percent state tax credit for the rehabilitation of qualified, privately-owned, income-producing buildings that are also using the federal tax credit. By leveraging the existing 20 percent federal tax credit with an additional 25 percent state credit, the program will help lure investment into Pennsylvania. Data show that states with state credits (Pennsylvania was the 30<sup>th</sup> to do so) tend to have an advantage over states that do not have tax credits in attracting investment in historic rehabilitation.

In addition, in 2009, PHMC did track the economic impact of the 22 state-owned Pennsylvania Trail of History museum sites.<sup>10</sup> The 22 sites collectively reported 287,894 ticketed visitations, with 71 percent of those visitors considered non-local. A total of \$44.9 million in expenditures was estimated as being spent by these visitors.<sup>11</sup>

## **National and Museum Specific Economic Impact Studies**

The 2012 National Arts Index reported data on arts organizations' economic impact nationally and in Pennsylvania. There are 113,000 nonprofit arts organizations and 800,000 more arts businesses nationwide. Approximately 2.2 million artists are in the nation's workforce.<sup>12</sup> A national study, which included the impact of

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<sup>10</sup> Pennsylvania's Trail of History is comprised of historic sites and museums across the Commonwealth that were administered by the Pennsylvania Historical and Museum Commission. In some cases, the operation of a particular site has been turned over to local historical societies or volunteer organizations.

<sup>11</sup> The total expenditure figure was based on a local day trip multiplier of \$110 average expenditures per person per day and on an out of region overnight trip multiplier of \$175 average expenditures per person per day.

<sup>12</sup> *Key Findings from the 2012 National Arts Index*, Americans for the Arts web page, August 30, 2012.

museums as part of the arts and cultural sector as a whole, was conducted by Americans for the Arts and released in 2007. The report estimated that the nonprofit arts and culture sector generates \$166.2 billion each year at the national level.<sup>13</sup> In 2012, an update of this report was released and included Pennsylvania-specific data. The *Arts & Economic Prosperity IV* study, which was released in June 2012, was conducted by Americans for the Arts to document the economic impact of the nonprofit arts and culture industry in 182 communities and regions (139 cities and counties, 31 multi-city or multi-county regions, and ten states, and two individual arts districts)—representing all 50 U.S. states and the District of Columbia.<sup>14</sup> In the State of Pennsylvania, 808 of the approximately 2,500 total eligible nonprofit arts and culture organizations identified by Citizens for the Arts in Pennsylvania participated in this study—an overall participation rate of 32 percent.<sup>15</sup>

Information included in the following two tables shows the economic impact in Pennsylvania of nonprofit arts and cultural organizations. Information is also presented comparing economic impact in Pennsylvania to the national median economic impact of nonprofit arts and cultural organizations.

As shown in Table 1, the economic impact of nonprofit arts and culture organizations in Pennsylvania for FY 2010 was substantial. Over \$2.5 billion statewide in expenditures were directly attributable to arts and culture organizations and the audiences who paid to visit a museum or attend a cultural performance.<sup>16</sup> As would be expected, the Philadelphia region and Allegheny County accounted for the bulk of positive economic impact reported. Total industry expenditures in the Philadelphia region represented approximately 55 percent of total industry expenditures for the state as a whole. Allegheny County represented 27 percent of total industry expenditures. Over 81,000 full-time equivalent jobs were funded through monies collected, resulting in over \$1.8 billion in total personal income being paid out. The majority of these jobs were created in the Philadelphia region and Allegheny

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<sup>13</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, describing the Arts & Economic Prosperity Report III, p.18.

<sup>14</sup> Each of the 182 study regions attempted to identify its comprehensive universe of nonprofit arts and culture organizations using the Urban Institute’s National Taxonomy of Exempt Entity (NTEE) coding system, a definitive classification system for nonprofit organizations recognized as tax exempt by the Internal Revenue Code. It is also important to note that each study region’s results are based solely on the actual survey data collected. No estimates have been made to account for non-respondents. Therefore, the authors of the study conclude that there is actually an understatement of the economic impact findings in most of the individual study regions.

<sup>15</sup> A list of the 43 NTEE arts and culture subcategory disciplines included as part of the study can be found on page A-3 of the Arts & Economic Prosperity IV report. The disciplines include art, children’s, folk art, history, natural history, and science museums; film and video; radio; visual arts; performing arts centers; theatre; music; historical organizations; and professional societies and associations.

<sup>16</sup> *Arts & Economic Prosperity IV* uses a sophisticated economic analysis called input-output analysis to measure economic impact. It is a system of mathematical equations that combines statistical methods and economic theory. Input-output analysis enables economists to track how many times a dollar is “re-spent” within the local economy, and the economic impact generated by each round of spending. The total impact is the sum of the direct impact plus all indirect impacts. The AEPIV report provides the total impact of expenditures.

Table 1

**Economic Impact of Nonprofit Arts and Culture Organizations in Pennsylvania and in Selected Regions of Pennsylvania in Fiscal Year 2010**

<u>Region of State</u>	<u>Total Industry Expenditures<sup>a</sup></u>	<u>FTE Jobs Supported<sup>b</sup></u>	<u>Personal Income Paid to Residents<sup>c</sup></u>	<u>Revenue to Local Government<sup>d</sup></u>	<u>Revenue to State Government<sup>d</sup></u>	<u>Average Event Related Expenditures Per Person<sup>e</sup></u>
State of Pennsylvania.....	\$2,545,382,269	81,061	\$1,834,659,000	\$159,003,000	\$201,012,000	\$20.20
Allegheny County .....	685,602,764	20,549	409,738,000	31,448,000	43,193,000	21.44
Cambria County .....	34,157,920	1,036	22,359,000	1,342,000	2,177,000	16.34
Centre County .....	22,464,492	707	16,333,000	1,072,000	1,453,000	26.90
Erie County .....	18,149,001	637	12,834,000	714,000	1,006,000	17.14
Harrisburg Region <sup>f</sup> .....	54,441,478	1,890	40,482,000	2,525,000	3,675,000	15.12
Indiana County .....	587,446	23	482,000	17,000	28,000	9.60
Lackawanna County.....	26,909,728	985	19,840,000	1,057,000	1,373,000	15.58
Lehigh Valley Region <sup>f</sup> ....	207,974,745	7,114	140,655,000	8,239,000	13,178,000	21.02
Northern Tier Region <sup>f</sup> ...	7,202,592	203	4,214,000	265,000	359,000	12.69
Philadelphia Region <sup>f</sup> .....	1,395,624,731	43,722	1,039,733,000	73,920,000	95,134,000	29.92

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<sup>a</sup> Includes spending by nonprofit arts and culture organizations and spending by audiences and visitors as one combined number.

<sup>b</sup> FTE stands for full-time equivalent jobs.

<sup>c</sup> Includes salaries, wages, and entrepreneurial income paid to local residents.

<sup>d</sup> Includes revenue from local and state taxes (e.g., income, property, sales and lodging) as well as funds from license fees, utility fees, filing fees, and other similar sources.

<sup>e</sup> Event related spending factors in spending for meals and refreshments, souvenirs and gifts, ground transportation, overnight lodging, and other miscellaneous expenses.

<sup>f</sup> Harrisburg Region includes Cumberland, Dauphin and York Counties. Lehigh Valley Region includes Carbon, Lehigh, and Northampton Counties. Northern Tier Region includes Bradford, Cameron, Clinton, Lycoming, McKean, Potter, Sullivan, Susquehanna, Tioga, and Wyoming counties. Philadelphia Region includes Bucks, Chester, Delaware, Montgomery and Philadelphia counties.

Source: Arts and Economic Prosperity IV Report, June 2012.



County. Regardless of where the jobs were created, the money paid to these employees was spent within the local economy to support other businesses. An estimated \$360 million in local and state tax revenue was generated through taxes and fees. Nationally, Table 2 shows that Pennsylvania was well above the national median in all economic impact categories tracked. In Pennsylvania, total industry expenditures in FY 2010 were over \$2.5 billion, as compared to the median nationwide of \$49 million in expenditures.

Table 2

**Economic Impact of Nonprofit Arts and Culture Organizations in Pennsylvania Compared to the National Median in FY 2010**

	<u>Pennsylvania</u>	<u>National Median</u>
Total Industry Expenditures.....	\$2,545,382,269	\$49,081,279
Full-Time Equivalent Jobs.....	81,061	1,533
Personal Income Paid to Residents .	\$1,834,659,000	\$35,124,500
Revenue to Local Government.....	\$159,003,000	\$1,946,500
Revenue to State Government.....	\$201,012,000	\$2,498,000

Source: Arts and Economic Prosperity IV Report in the State of Pennsylvania, June 2012.

The study also analyzed the economic impact of expenditures by nonprofit arts and culture organizations for 10 states, including Pennsylvania, that volunteered to participate in statewide analysis. Table 3 presents data comparing Pennsylvania to nine other states. Pennsylvania had the second highest total industry expenditures after Illinois. However, Pennsylvania created the most full-time equivalent jobs and generated the most combined revenue for local and state government.

The financial and economic impact that museums, and the exhibits that they sponsor, have on their communities has been measured by individual institutions.<sup>17</sup> For example, in FY 2003 and FY 2004, the Philadelphia Museum of Art reported generating \$169 million and \$219 million, respectively, in total economic activity in the Philadelphia region. This included \$28.1 million in tax revenue for the city and the state over the two years. Also in Philadelphia, three exhibits in the past few years at three different institutions report having provided economic benefits to the city and the state:

- In 2005, the Philadelphia Museum of Art sponsored a Salvador Dali exhibition. The exhibition drew over 370,000 visitors from all 50 states and 33 countries. Approximately 85 percent of the visitors were from outside the City of Philadelphia, with more than 39,000 staying in a hotel during

<sup>17</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, p.18.

Table 3

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**Economic Impact of Expenditures by Nonprofit Arts and Culture  
Organizations in Selected States in FY 2010**

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States <sup>a</sup>	Total Industry Expenditures	FTE Jobs Supported	Personal Income Paid to Residents	Revenue to Local Government	Revenue to State Government
Connecticut .....	\$ 652,960,811	18,314	\$ 462,526,000	\$ 25,840,000	\$ 33,236,000
Delaware .....	142,329,627	3,868	112,337,000	1,704,000	8,235,000
Hawaii.....	159,605,567	4,426	126,504,000	3,188,000	14,306,000
Illinois .....	2,752,725,266	78,455	2,282,701,000	165,826,000	157,735,000
Nebraska .....	174,389,532	6,473	157,868,000	8,321,000	10,432,000
New Hampshire	115,082,228	3,493	79,531,000	5,837,000	5,769,000
North Carolina ..	1,241,874,488	43,605	946,707,000	56,632,000	62,373,000
Pennsylvania....	2,545,382,269	81,061	1,834,659,000	159,003,000	201,012,000
South Dakota ...	96,660,370	2,989	66,645,000	3,101,000	4,751,000
Wisconsin.....	535,168,486	22,872	479,463,000	29,685,000	35,237,000

<sup>a</sup> Each of the 10 states participated in the Cultural Data Project (CDP) during fiscal year 2010. The CDP is a unique system that enables arts and cultural organizations to enter financial, programmatic, and operational data into a standardized online form. In order to reduce the survey-response burden on eligible organizations, and because the CDP collects the detailed information required for this economic impact analysis, researchers used confidential CDP data in lieu of the web-based organizational expenditure survey instrument in these states 51 study regions.

Source: Arts & Economic Prosperity IV report.

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their visit. For every \$1 provided by the city in support of the exhibit, more than \$9 was directly returned to the city through tax revenue. For every \$1 provided by the Commonwealth through DCED, more than \$4 was directly returned to the state through increased tax revenue. Collectively, the benefit to the city and the Commonwealth was reflected in the total economic activity calculated at \$54.9 million, the creation of 830 full-time equivalent jobs with over \$20 million in salary and wages, and more than \$4.4 million in tax-revenues generated for the city and the Commonwealth.<sup>18</sup>

- In late 2005 and early 2006, the National Constitution Center in Philadelphia sponsored an exhibit on Benjamin Franklin. The exhibit drew 193,000 visitors, 89 percent of whom lived outside the city. Activity was generated in the hotel, restaurant, transportation, and retail industries, as well as other local cultural attractions. An estimated 7,500 visitors coming to see the exhibit stayed in hotel rooms. Total economic activity was calculated to be \$25.1 million, with more than \$1.5 million in tax revenues generated for the city and state.<sup>19</sup>

<sup>18</sup> *Technical Memorandum: Economic Impact of the Salvador Dali Exhibition*, Urban Partners, July 2005.

<sup>19</sup> *Technical Memorandum: Economic Impact of the Benjamin Franklin: In Search of a Better World Exhibition*, Urban Partners, October 2006.

- In 2007, the Franklin Institute Science Museum sponsored an exhibit of King Tutankhamun. The exhibit drew more than 1,300,000 visitors from across the nation and 13 foreign countries. Visitors coming to see the exhibit utilized approximately 99,700 hotel room nights during the exhibition. Total economic activity to the Philadelphia region was calculated to be \$127 million. The number of full-time jobs created was estimated to be 1,715, of which 70 percent were held by city residents. A total tax revenue benefit estimated at \$11.7 million was realized, with \$5.8 million going to the city and \$5.8 million to the Commonwealth.<sup>20</sup>

A complete analysis of the economic impact of the arts and culture sector in the greater Philadelphia region can be found in the publication *Arts, Culture and Economic Prosperity in Greater Philadelphia*, produced by the Greater Philadelphia Cultural Alliance and published in September 2012.

In Pittsburgh, the four Carnegie Museums counted 260,000 out-of-town visitors going to one or more of the museums. These visitors reportedly spent between \$108 to \$400 a day in the city and region. The museums teach more than 330,000 children a year through onsite and offsite education programs. More than 1,000 people are employed by the museums, and the museums direct more than \$26 million to the region's economy in salary and benefits. Of the revenue that supports the museums, very little comes from government support. In 2010, 30.5 percent of revenue came from investment returns; 26.4 percent from gifts and grants; 18.2 percent from sales, rentals, and fees; 11.3 percent from admission fees; and 6 percent from membership fees. Approximately 5.4 percent of revenue came from the Allegheny Regional Asset District and an additional 1.9 percent from other government sources.<sup>21</sup>

The Children's Museum of Pittsburgh annually serves 250,000 visitors, of which 131,000 are children and 7,000 are seniors. It is estimated that museum visitors spend \$4.7 million in the Pittsburgh area during their visits.<sup>22</sup>

The arts and culture sector can also spark urban renewal. In the Allegheny County region, this is demonstrated in the Pittsburgh Cultural Trust. It was founded in 1984 with the mission of revitalizing a 14-square-block downtown area. The Trust has received support from foundations, corporations, government agencies, and private citizens to support its efforts to restore historic theatres, construct

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<sup>20</sup> *Technical Memorandum: Economic Impact of the Tutankhamun and the Golden Age of the Pharaohs Exhibition*, Urban Partners, November, 2007.

<sup>21</sup> The mission of the Allegheny Regional Asset District is to support and finance regional assets, including cultural programs. The District receives one-half of the proceeds from the 1 percent Allegheny County Sales and Use Tax and the other half is paid directly to the County and municipal governments by the State Treasurer. Since 1995, the 1 percent County Sales tax paid by residents of and visitors to Allegheny County has resulted in a cumulative \$2.6 billion investment in the region through 2012.

<sup>22</sup> Children's Museum of Pittsburgh web page, September 7, 2012.

new performance venues, commission public arts projects, and develop urban parks and riverfront recreation areas in Pittsburgh. Today the Cultural District attracts over two million visitors annually—generating an estimated economic impact of \$303 million per year beyond downtown.<sup>23</sup>

Overall, visitor spending in Allegheny County amounted to \$4.8 billion in 2010, of which \$894 million was spent on recreation. An estimated \$299 million in state and local taxes were generated through tourism. In Allegheny County alone, more than 37,000 jobs are directly supported by the travel and tourism industry.<sup>24</sup>

## **Attracting Businesses to Pennsylvania**

A vibrant arts and cultural community is also an important factor in where businesses decide to locate. A survey undertaken by the Greater Philadelphia Chamber of Commerce reported that 59 percent of business leaders considered arts and cultural attractions as one of the top strengths of the Philadelphia region, just below in importance of institutions of higher education.<sup>25</sup> According to a representative of the Greater Philadelphia Chamber of Commerce, “arts and culture are very much a significant contributor to quality of life. That’s important for corporations. It’s important for workers. It’s very much an enabler of economic development. The importance of arts and culture is greater than the percent contribution [just] to the economy.”<sup>26</sup> A representative of the Federal Reserve Bank of Philadelphia noted that the arts “represent a large value beyond the ticket, by providing a regional identity that attracts and anchors businesses, serves the university world, and supports educational activities in communities across economic and regional boundaries. It’s a crucial part of the economy – critical in attracting people.”<sup>27</sup>

## **Preserving Our History**

The important part that museums play in ensuring that Pennsylvania’s and our country’s history, culture, and art are maintained for future generations should also be considered. In December 2008, the Institute of Museum and Library Services (IMLS) released a report examining government funding for museums in the United States. According to the report, “museums provide value to the American public. Museums are widely acknowledged as educational institutions that engage with schools, families, and communities; they connect the whole of society to the cultural, artistic, historical, natural, and scientific understandings that constitute

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<sup>23</sup> *Creating Pennsylvania’s Future Through the Arts and Education*, The Education Policy and Leadership Center (EPLC), March 2012, P.4.

<sup>24</sup> Pittsburgh Tourism Impact Facts, September 7, 2012.

<sup>25</sup> Greater Philadelphia 2008 outlook Survey, Greater Philadelphia Chamber of Commerce.

<sup>26</sup> As quoted in The Philadelphia Inquirer article, “Arts in Philadelphia Economy: A pretty Picture,” September 24, 2012.

<sup>27</sup> As quoted in The Philadelphia Inquirer article, “Arts in Philadelphia Economy: A pretty Picture,” September 24, 2012.

our heritage; and they collect and conserve tangible objects—animate and inanimate—for the benefit of future generations.”<sup>28</sup> Without museums, the likelihood of the private sector maintaining artifacts and archival information for future generations is improbable, especially those that do not hold significant collectable value.

An estimated 4.8 billion artifacts are held in public trust by more than 30,000 archives, historical societies, libraries, museums, scientific research collections, and archaeological repositories in the United States. According to William Hosely, former director of the New Haven Museum in Connecticut, “Small museums alone in the United States preserve about half of the country’s patrimony.” The PHMC alone estimates that it owns and cares for over 4.5 million artifacts in its facilities. Survey results from 80 respondents compiled by the PA Federation of Museums found that each of those 80 institutions protected an average of 12,710 artifacts, with the total number of objects being reported at 978,672. The total cubic feet of archives (historical records such as deeds and other documents) that a subset 49 institutions reported was 313,776, or enough to fill 78 tractor trailers. The linear feet of library volumes from 54 institutions totaled 101,874, equaling a bookshelf that could stretch over 19 miles.

Proper collections care is an important role of museums as well. In communities around the country, museums and libraries face losing their collections to everyday threats like exposure to light, humidity, high or fluctuating temperatures, and pest infestation. It is estimated that nearly 190 million objects in U.S. collections are in urgent need of treatment or attention.<sup>29</sup>

In 2010, the president of the Carnegie Museums of Pittsburgh wrote that,

Museums are places of the extraordinary. They are home to paintings and sculptures, artifacts and fossils, and interactive displays that bring science to life. They are places where the public can see the variety and richness of nature and the culture that humanity has constructed for itself. And they are portals through which visitors can travel the world and be touched by treasures of cultures that they might otherwise only read about. Museums are also keepers of the real and the authentic. In a world where people are ever more connected—through the Internet and other media—there is an inherent demand to understand more about different cultures and the histories of our own lives on this planet. So the opportunity to discover the original at a museum is something irreplaceable. Especially for young

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<sup>28</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, p.3.

<sup>29</sup> *Connecting to Collections: A Report to the Nation*, Institute of Museum and Library Services, 2010.

people, a visit to a museum can light a spark in their desire to learn that is unreachable by books and classroom lectures.<sup>30</sup>

Finding a connection to our past and further defining where one fits in to the continuum of life is an invaluable experience, especially for young people, provided most readily and memorably by visiting a museum.

## **Museums Provide Educational Experiences for Citizens of all Ages**

According to the American Alliance of Museums (AAM), museums spend more than \$2 billion a year on education and typically devote three-quarters of their education budget specifically to K-12 students. Each year, museums provide more than 18 million instructional hours for educational programs such as guided tours for students, staff visits to schools, and school outreach through science vans and other traveling exhibits.<sup>31</sup> For example, in Pittsburgh, the four Carnegie Museums report reaching nearly 1.3 million people a year, spanning 15 counties in their area, through onsite visits, educational outreach, and special events. They also provide curriculum to teachers and work with the home-school community.

Museums are natural teaching organizations. According to the AAM “the contributions that museums make to public education are usually seen as peripheral - nice, not necessary. The U.S. needs to scale up the educational resources and skills provided by its museums via online access, better indexing of online resources, physically incorporating museums into schools and schools into museums, and making museums central points for teacher training. This will ensure that museums provide equitable access to their unique resources and fulfill their potential in the new educational landscape. Even as they help pioneer the new era, museums need to stay engaged with the current educational system, both to serve today’s students and to ensure their own financial health. Museums will be offering field trips for a long time to come.”<sup>32</sup>

According to a report released by the National Assembly of State Arts Agencies, arts programs increase reading and language skills and mathematics among participating students. Reasoning ability, intuition, perception, imagination, inventiveness, creativity, problem-solving, and expression are all strengthened by participation in arts programs at school or at other institutions such as museums. Students participating in arts programs have better self-control, are able to resolve conflict better, and have more self-confidence than the typical student.<sup>33</sup> Students participating in arts programs in school also report higher average SAT scores. In 2010, the average SAT verbal score for students with less than one year of arts

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<sup>30</sup> *Joy in Discovery*, Carnegie Museums of Pittsburgh, p.3.

<sup>31</sup> American Alliance of Museums Fact Sheet.

<sup>32</sup> *Trends Watch 2012*, Center for the Future of Museums, American Alliance of Museums, 2012, p.24.

<sup>33</sup> *Critical Evidence: How the Arts Benefit Student Achievement*, Washington: National Assembly of State Arts Agencies, 2006.

courses was 477, compared with 536 for those with four years of arts courses. The average 2010 SAT math score was 496 for students with less than one year of arts courses, compared with 539 for those with four years of arts courses.<sup>34</sup>

Museums partner with schools to provide low-cost or no-cost curriculum support for K-12 education. Such partnerships can occur on-site at the museum or at the school themselves through traveling exhibits. It is estimated that museums nationwide provide millions of instructional hours per year to students at all grade levels. Apart from schools, museums sponsor exhibits that incorporate families, individuals, and community groups into their educational activities and outreach.<sup>35</sup>

In southeast Pennsylvania, approximately two million school-aged children visited arts and cultural organizations. The majority of these visits were made to history, science, and nature organizations.<sup>36</sup> A culture and art survey undertaken in southeast Pennsylvania found that 84 percent of respondents felt that children should be introduced to the arts at an early age. Approximately 88 percent of respondents believe that when children attend arts events their understanding of the world is enriched.<sup>37</sup> More recently, a statewide survey in Pennsylvania indicated that 81 percent of likely voters in the state believe that a comprehensive K-12 education program needs to include arts education.<sup>38</sup>

## **Museums Offer Low Cost Family Friendly Cultural Attractions**

Museums are destinations for visitors, whom they attract through permanent and special programs. A museum visit, with its opportunities for discovery and adventure, is a cultural experience that almost every American has had at least once, and they are important for education in art, history, culture, and the sciences.<sup>39</sup> Nationally, museums rank among the top three family vacation destinations.<sup>40</sup> Many museums in Pennsylvania charge low admission prices or even no admission prices. They do this so that more families will be encouraged to visit a museum. Total visits to cultural organizations in greater Philadelphia for 2009 were 16.9 million, with only 8.1 million of those visits actually being charged for admission. This represents more than four visits per resident of Southeast Pennsylvania. Of the 90 responses to a survey sent by the LB&FC, 33 museums and historical societies (39 percent) indicated that they do not charge an admission. An additional 41

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<sup>34</sup> The College Board. *2010 College-Bound Seniors: Total Group Profile Report*. New York: The College Board, 2010. P. 9.

<sup>35</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, p.17.

<sup>36</sup> *2011 Portfolio*, Greater Philadelphia Cultural Alliance, pp.20, 49 and 50.

<sup>37</sup> Survey commissioned by the Greater Philadelphia Cultural Alliance.

<sup>38</sup> Susquehanna Polling and Research. *Final Top Line Survey Results: Pennsylvania Statewide Poll—The Education Policy and Leadership Center*. Harrisburg: Susquehanna Polling and Research, 2011.

<sup>39</sup> National Arts Index 2010, An Annual Measure of the Vitality of Arts and Culture in the United States 1998-2009, Chart 50 – Museum Visits, p.74.

<sup>40</sup> American Alliance of Museums Fact Sheet.

museums (48 percent) indicated that they offered special free admission days weekly, monthly, quarterly, or annually.

The median ticket price to cultural organizations that charge admission in the Philadelphia region was \$15 between FY 2007 and FY 2009. This figure was well below the \$48 median cost to produce the event. For museums, visual arts, historic and scientific organizations only, the median ticket price was only \$8. A 2006 study compared the average median admission cost to a cultural organization to the average cost to a professional sports team game in 2003. It found that the average cost to visit or attend a cultural event was \$20. The average cost for a ticket to a Philadelphia Eagles game was \$42; while the cost to attend a Philadelphia Flyers game was \$64 and the cost to attend a Philadelphia 76ers game was \$57.<sup>41</sup>

According to AAM, approximately 850 million visits are made each year to American museums, more than the attendance for all major league sporting events and theme parks combined (471 million).<sup>42</sup> Although dated, total attendance figures for the four professional leagues in Philadelphia (Eagles, 76ers, Phillies, and Flyers) for the 2002-03 seasons were approximately 3.7 million. Attendance for greater Philadelphia's top 25 tourist attractions, all of which were cultural organizations, was approximately 11.8 million.<sup>43</sup>

## **Public Support for Museums and Museum Funding Appears to Be Strong**

The Pennsylvania Federation of Museums and Historical Organizations (PFMHO) undertook a survey in April 2011 of its member organizations. In response to a question about how many people are served, the total visitation reported by 81 respondents was 2,659,924. The total number of people served by outreach numbered 386,654. If this average of 37,000 visitors per institution can be considered an accurate representation, Pennsylvania's museums, historical societies, and historical sites may play host to 37 million people each year.<sup>44</sup>

In 2006, the IMLS estimated that approximately 148 million adults visited a museum in the United States. Among the national museum associations in the United States, reports of attendance also demonstrate that museums consistently engage substantial audiences of national and international visitors. Reports published by such associations indicate that museums in the United States likely receive several hundred million visitors per year. These associations also report that millions of schoolchildren use museums and museum services each year.<sup>45</sup>

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<sup>41</sup> Greater Philadelphia Cultural Alliance 2006 Portfolio Report.

<sup>42</sup> American Alliance of Museums Fact Sheet.

<sup>43</sup> Philadelphia Business Journal Book of Lists 2004 and the greater Philadelphia Cultural Alliance.

<sup>44</sup> Pennsylvania Federation of Museums and Historical Organizations web site, results of the Advocacy Survey.

<sup>45</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, p.16.



On a national level, expenditures on visits to cultural sites, including museums have increased. One of the reasons for this is that the overall cost to visit cultural sites and museums have remained within the financial means of families. Total expenditure by consumers on arts and culture goods and services is measured at an aggregate level by the federal government. In the National Income and Product Accounts, the Bureau of Economic Analysis presents yearly data on personal consumption expenditure on different kinds of consumer items. The National Arts Index has compared the total of such expenditures as a share of total personal consumption expenditures. The results show that between 1999 and 2009, total expenditures by consumers on arts and culture goods and services increased from \$119 billion to \$157 billion, a total growth of 39 percent. For the same time period, expenditures for visits to museums and libraries increased from \$3 million to \$6 million, an increase of 100 percent, and expenditures on live entertainment, excluding sports, increased from \$10 million to \$14 million, an increase of 40 percent.<sup>46</sup>

In October 2008, the Center for Survey Research at Penn State Harrisburg undertook telephone interviews with 859 adults, which among other questions, asked about their support for the use of public funds to preserve, protect, and interpret the Commonwealth's heritage for the education and enjoyment of its citizens and visitors.<sup>47</sup> Of the 849 persons answering, 91 percent supported the use of public funds for this purpose. Furthermore, 90 percent of the respondents indicated that they visit historic sites and 82 percent indicated that they visit museums. Pennsylvanians do see the importance and need for museums and believe that state funds, at least at some level, should be provided to fund the continued operation of museums in the Commonwealth.

In addition, a household survey of 1,000 randomly selected residents in southeast Pennsylvania found that 55 percent agreed or strongly agreed that they would be willing to pay more in taxes if the money would go to support art and cultural organizations. The survey also found that 93 percent believed that all children should have access to music and art programs and that 83 percent had attended an arts or cultural event within the last year.<sup>48</sup>

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<sup>46</sup> National Arts Index 2010, An Annual Measure of the Vitality of Arts and Culture in the United States 1998-2009, Chart 34 – Personal Expenditures on Arts and Culture, p.58.

<sup>47</sup> A margin of error of plus or minus 3.4 percent at the 95 percent confidence level is associated with survey results from a sample of this size.

<sup>48</sup> Metropolitan Philadelphia Indicators Project household survey conducted in the fall of 2006.

### III. Museum Funding in Pennsylvania

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State funding for the public cultural sector in Pennsylvania consists of several distinct parts and grant funding for museums in Pennsylvania has come primarily from three sources: the Pennsylvania Historical and Museum Commission, the Pennsylvania Council on the Arts, and the Department of Community and Economic Development.

Compared to other states, Pennsylvania ranks in the middle in terms of state spending per capita on arts and culture. For example, in FY 2011, Pennsylvania ranked 23rd among states in per capita funding for the arts provided solely by state arts agencies, well behind neighboring states of New Jersey (10<sup>th</sup>), New York (8<sup>th</sup>), Maryland (4<sup>th</sup>), Delaware (7<sup>th</sup>), and West Virginia (11<sup>th</sup>). In this fiscal year, legislative appropriations per capita for arts alone were: Minnesota \$5.59, Wyoming \$2.48, Maryland \$2.30, Connecticut \$2.13, Rhode Island \$2.01, New York \$1.87, Delaware \$1.87, New Jersey \$1.82, Massachusetts \$1.29, and West Virginia \$1.34. Pennsylvania was \$0.71. However, if you add the state funding that has been provided for state and nonstate-owned museums through PHMC and DCED (\$23,863,000 and \$575,000, respectively) during that same fiscal year, our per capita figure is \$2.63.<sup>1</sup> Please see Appendix B for a ranking from a study on arts funding allocated, by state, per capita for 2010.<sup>2</sup>

A report released in December 2008 looked at public funding specifically for museums at the state level.<sup>3</sup> Through detailed interviews and information requests with state-level agencies in eight states, FY 2007 information was compiled on the levels and types of state investment in these states. One of the states was Pennsylvania.<sup>4</sup> The data showed that there was a high degree of variability among the eight states in terms of the scale and character of investment in the public cultural sector infrastructure and the mechanisms used to deliver public dollars to museums.

Table 4 shows the level of state funding in FY 2007 that went to state agencies that support museums, state funding that went directly to individual museums through recurring line items, and state funding that went to libraries and other public cultural sector agencies. Only three of the states provided more than \$100 million in total funding. In FY 2007, prior to the decline in museum funding, Pennsylvania provided the second most funding for museums and libraries, just below

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<sup>1</sup> Based on an estimated 2011 state population of 12,742,886. Budget figures from Gov Executive Budget FY 2011-12. Budget figure used for PHMC includes all general operations budget figures and DCED's includes grants made to accredited zoos.

<sup>2</sup> Artbistro.com, 2009.

<sup>3</sup> *Exhibiting Public Value: Government Funding for Museums in the United States*, Institute of Museum and Library Services, December 2008.

<sup>4</sup> The other seven states were Illinois, Maine, Massachusetts, Michigan, New Mexico, Virginia, and Washington.

the State of Illinois, and provided much more direct funding for museums (\$61.7 million) than any of the other seven states.

Table 4

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**State Funding Apportioned to Museum Funders, Public Museums, and  
Libraries and Other Cultural Agencies**  
FY 2007

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	<u>Funding Agencies</u>	<u>Public Museums</u>	<u>Library and Other Agencies</u>	<u>Total Reported Funding</u>
Illinois .....	\$40,035,243	\$19,202,607	\$65,864,177	\$125,102,027
Maine.....	4,097,433	4,028,758	6,229,613	14,355,804
Massachusetts ...	15,121,605	4,591,045	1,814,562	21,527,212
Michigan.....	8,561,400	11,700,500	31,447,400	51,709,300
New Mexico.....	5,256,310	26,621,600	9,516,800	41,394,710
Pennsylvania.....	30,653,700	61,741,000	29,365,494	121,760,194
Virginia .....	35,056,386	34,968,046	41,272,180	111,296,612
Washington .....	13,172,468	8,450,569	20,741,547	42,364,584

Source: *Exhibiting Public Value: Government Funding for Museums in the United States* Institute of Museum and Library Services, December 2008, p.76.

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However, Pennsylvania is home to a larger number of cultural organizations than most states and boasts a high number of world class organizations as well as many smaller local arts organizations and programs. This wealth of cultural assets means that Pennsylvania’s state cultural dollars are spread more widely among grantees. For example, the top grants made to arts organizations in New Jersey and Maryland are about one million dollars, more than three times Pennsylvania’s top grant.<sup>5</sup> This places them at a significant competitive advantage over Pennsylvania organizations. While Pennsylvanians and others enjoy a great variety of high quality cultural venues and programming, those entities operate at a disadvantage when state support is not competitive.

Table 5, below, compares the number of museums per 100,000 population per state as of 2007. Nationally, Pennsylvania ranks second in total number of museums and seventh in the northeast in terms of number of museums per 100,000 population. However, all of the northeast states ranked above us have a significantly smaller population and geographic size.

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<sup>5</sup> 2012-13 budget narrative, Pennsylvania Council on the Arts.

Table 5

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**Population and Number of Museums by State in 2007**


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<u>State</u>	<u>Estimated Number of Museums</u>	<u>Population 2007</u>	<u>Museums Per 100,000 Population</u>
Alabama .....	284	4,627,851	6.1
Alaska .....	147	683,478	21.5
Arizona .....	238	6,338,755	3.8
Arkansas .....	159	2,834,797	5.6
California .....	1,344	36,553,215	3.7
Colorado .....	320	4,861,515	6.6
Connecticut .....	354	3,502,309	10.1
Delaware .....	86	864,764	9.9
Dist. of Columbia ...	73	588,292	12.4
Florida .....	477	18,251,243	2.6
Georgia .....	330	9,544,750	3.5
Hawaii .....	94	1,283,388	7.3
Idaho .....	113	1,499,402	7.5
Illinois .....	905	12,852,548	7.0
Indiana .....	331	6,345,289	5.2
Iowa .....	245	2,988,046	8.2
Kansas .....	261	2,775,997	9.4
Kentucky .....	274	4,241,474	6.5
Louisiana .....	215	4,293,204	5.0
Maine .....	263	1,317,207	20.0
Maryland .....	360	5,618,344	6.4
Massachusetts .....	608	6,449,755	9.4
Michigan .....	342	10,071,822	3.4
Minnesota .....	282	5,197,621	5.4
Mississippi .....	148	2,918,785	5.1
Missouri .....	355	5,878,415	6.0
Montana .....	170	957,861	17.7
Nebraska .....	299	1,774,571	16.8
Nevada .....	118	2,565,382	4.6
New Hampshire .....	167	1,315,828	12.7
New Jersey .....	334	8,685,920	3.8
New Mexico .....	186	1,969,915	9.4
New York .....	855	19,297,729	4.4
North Carolina .....	371	9,061,032	4.1
North Dakota .....	170	639,715	26.6
Ohio .....	903	11,466,917	7.9
Oklahoma .....	467	3,617,316	12.9
Oregon .....	239	3,747,455	6.4
Pennsylvania .....	1,080	12,432,792	8.7
Rhode Island .....	59	1,057,832	5.6
South Carolina .....	248	4,407,709	5.6
South Dakota .....	208	796,214	26.1
Tennessee .....	169	6,156,719	2.7
Texas .....	631	23,904,380	2.6
Utah .....	172	2,645,330	6.5
Vermont .....	289	621,254	46.5
Virginia .....	655	7,712,091	8.5
Washington .....	529	6,468,424	8.2
West Virginia .....	166	1,812,035	9.2
Wisconsin .....	477	5,601,640	8.5
Wyoming .....	112	522,830	21.4

Source: Institute of Museum and Library Services December 2008 report, pp. 21-22.

## Overall Funding Levels in Pennsylvania

Table 6, below, provides a listing of budget figures for the past eight fiscal years for the Pennsylvania state agencies providing the majority of funding for the Commonwealth's museums. These figures include general government operations figures for both the Pennsylvania Historical and Museum Commission and the Pennsylvania Council on the Arts. For purposes of this study we did not include capital budget funds provided to museums, which in some years has been a significant investment. Overall, the amount of museum-related funding at these agencies, including state funds provided for general government operations has been reduced from \$87,200,000 in FY 2005-06 to \$37,176,000 in FY 2012-13, a reduction of \$50,024,000, or 57 percent, in the past eight fiscal years.

### The Funding of State-owned Museums and Historical Sites

Funding for Commonwealth-owned museums and historic sites comes from the General Fund through line items provided to the Pennsylvania Historical and Museum Commission. Like most state agencies, the PHMC's budget has been reduced as a result of the economic downturn. In eight years (FY 2005-06 to FY 2012-13), their overall operating budget has been reduced from approximately \$39.8 million to \$26.0 million, a reduction of 35 percent. But the number of historic sites and museums, artifacts, buildings, and acreage they oversee (23, 4.5 million, 456, and 2473, respectively) has not been reduced. Table 6 shows funding for PHMC operations and state support for the state-owned museums and historical sites from FY 2005-06 through FY 2012-13.

### Funding of Nonstate-owned Museums Through PHMC

The statutory authority for PHMC's funding of nonstate-owned museums comes generally from Sections 301 and 302 of Title 37, Historical and Museums<sup>6</sup> and the Keystone Recreation, Park, and Conservation Fund.<sup>7</sup> The Commission also has promulgated regulations found at Pa Code Chapter 17 to further establish rules for grants provided under the Museum Assistance and Local History Grant program. Under the statute, all such grants were to be voted on by the Commission and subject to audit review. We found that PHMC's administration of this grant program did not follow the regulations as promulgated. This will be discussed in detail in Chapter 4. Therefore, the following descriptions of the grants given under both the Museum Assistance and Local History and Keystone Conservation fund programs are as PHMC administered them under internal guidelines, not necessarily as called for in program regulations.

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<sup>6</sup> Specifically, §302 (8) Museum Assistance and Local History grants.

<sup>7</sup> Act 1993-50.

Table 6

**PHMC, PCA, and DCED General Operations and Grants Funding for Museums**  
(Thousands)

Program	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Dept. Total
PHMC Operations and Support of State-owned Museums <sup>a</sup> .....	\$39,856	\$35,772	\$34,280	\$32,723	\$21,552	\$25,655	\$23,363	\$26,010	\$239,211
PHMC Support of Nonstate-owned Museums .....	15,904	14,864	10,305	8,911	1,814	500	500	1,651	54,449
PCA Operations and Grants to the Arts <sup>a</sup> .....	20,898	16,435	16,520	15,823	13,772	9,138	9,065	9,065	110,716
DCED Grants to Museums and Zoos .....	10,542	8,566	12,862	10,883	2,410	5,908	575	450 <sup>b</sup>	52,198
FY Totals .....	\$87,200	\$75,637	\$73,967	\$68,340	\$39,548	\$41,201	\$33,503	\$37,176	\$456,574

<sup>a</sup> Both PHMC state owned and PCA budget figures include their amounts allocated for general government operations. PCA's grants amounts includes all grants, not just museum grants.

<sup>b</sup> Only includes the funding provided to zoos.

Source: Governor's Executive Budgets from FY 2005-06 through FY 2012-13.

As shown in Table 6, during the timeframe utilized for this study, funding for these grant programs has come from several sources, including a line item for museum assistance grants in PHMC's annual budget, funds from PHMC's portion of the Keystone Recreation, Park and Conservation bond funds, and two federal programs. In addition, PHMC administered grants to selected museums provided by the Commonwealth as a part of the nonpreferred appropriations process<sup>8</sup> and a separate, noncompetitive grant program known as the Historical Education and Museum Assistance grant program.

With the exception of a special one-time grant program (\$1,151,000) provided in this current fiscal year (FY 2012-13), since FY 2010-11, the only state grant funding for nonstate-owned museums has been a minor amount provided through the Keystone Fund. Table 7 shows funding amounts provided by PHMC to nonstate-owned museums and historical activities in Pennsylvania from FY 2005-06 through FY 2012-13. As depicted, the funding for nonstate-owned museums through PHMC has fallen 96.8 percent, from a high of \$15,904,000 in FY 2005-06 to a low of \$500,000 in 2011-12.

Through the years of programming that we studied, the activities for which PHMC has allowed grant funds to be utilized has remained fairly constant, although priorities shifted somewhat from year to year. When comparing competitive funding (Museum Assistance and Keystone grants) to noncompetitive funding (nonpreferreds and Historical Education and Museum Assistance grants) we found that from FY 2005-06 through FY 2012-13, an average of 62 percent of the funds were provided competitively while 38 percent of the funds were provided noncompetitively. Table 8 below shows the specific allocation of the nonpreferred grants during the timeframe utilized in this study, which totaled approximately \$13 million. Staff of PHMC's Bureau for Historic Preservation administered the grant programming for the majority of the grants given to museums by PHMC.

## **Museum Assistance and Local History Grant Program**

PHMC grants provided to recipients from the Museum Assistance and Local History program typically had been for general operating support and project specific needs. According to PHMC staff, these grants were limited to museums whose annual operating budgets exceeded \$100,000. Grants were not to exceed \$150,000 or 10 percent of a museum's most recently completed fiscal year operating budget if less than \$1,500,000. Subcategories of grants under the museum assistance program were: Archives and Records Management, General Operating Assistance for Historical Societies, General Operating Assistance for Museums, Historic Preservation, Historic Markers, Education, Public and Local History, Museum Projects, Partnership Projects, Preservation Training Statewide Conferences, and Statewide Organizations.

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<sup>8</sup> We have included the Heinz History Center in the nonpreferred grant category throughout this report, although they were not technically a nonpreferred institution, instead being a line item within PHMC's budget.

Table 7

**PHMC Support of State- and Nonstate-owned Museums**  
(FY 2005-06 Through FY 2012-13 in Thousands)

Program	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<u>State-owned Museums Support</u>								
General Government Operations .....	\$22,948	\$24,065	\$25,260	\$24,429	\$19,348	\$17,617	\$17,525	\$16,649
Keystone Fund to Support State-owned Properties .....	16,508	11,533	8,950	6,765	0	6,136	4,443	7,943 <sup>a</sup>
Historic Preservation Fund .....	<u>400</u>	<u>174</u>	<u>70</u>	<u>1,529</u>	<u>2,204</u>	<u>1,902</u>	<u>1,395</u>	<u>1,418</u>
Total .....	\$39,856	\$35,772	\$34,280	\$32,723	\$21,552	\$25,655	\$23,363	\$26,010
<u>Nonstate-owned Museum Support</u>								
Museum Assistance Grant .....	\$ 5,135	\$ 6,135	\$ 4,135	\$ 3,558	\$ 1,601	\$ 0	\$ 0	\$ 1,151
Non-Preferred Grants .....	3,044	3,344	3,244	2,874	213	0	0	0
Historical Education & Museum Assistance .....	2,225	3,385	1,226	1,034	0	0	0	0
Keystone Fund to Support Other Museums .....	<u>5,500</u>	<u>2,000</u>	<u>1,700</u>	<u>1,445</u>	<u>0</u>	<u>500</u>	<u>500</u>	<u>500</u>
Total .....	\$15,904	\$14,864	\$10,305	\$ 8,911	\$ 1,814	\$ 500	\$ 500	\$ 1,651

<sup>a</sup>In the Governor's Executive Budget Request for FY 2012-13 the amount budgeted for the Keystone Fund was \$6,043,000. PHMC gave us a figure of \$7,943,000 as the budgeted amount. The difference is due to the reconciliation of the 2011-12 Keystone Fund allocation. The realty transfer tax came in much better than the revised number the PHMC had for FY 2011-12. The original FY 2011-12 budget was \$6.0 million and was revised down early in that fiscal year to \$4.9 million. The increase was included with the FY 2012-13 year by the Budget Office instead of adding back to the prior year.

Source: Governor's Budget Requests from FY 2005-06 through FY 2012-13 showing actual budget amounts.



Table 8

**PHMC Grants to Non-Preferred Museums by Fiscal Year**  
(FY 2005-06 Through FY 2011-12)

Program	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total
PA Historical & Museum Commission								
Heinz History Center.....	\$ 550,000	\$ 600,000	\$ 500,000	\$ 329,000	\$157,000	\$0	\$0	\$ 2,136,000
University of Penn Museum.....	231,000	254,000	254,000	236,000	56,000	0	0	1,031,000
Carnegie Museum of Natural History .....	231,000	254,000	254,000	236,000	0	0	0	975,000
Carnegie Science Center.....	231,000	254,000	254,000	236,000	0	0	0	975,000
The Franklin Institute .....	699,000	769,000	769,000	713,000	0	0	0	2,950,000
Academy of Natural Sciences.....	428,000	471,000	471,000	437,000	0	0	0	1,807,000
African-American Museum of Phila.....	326,000	359,000	359,000	333,000	0	0	0	1,377,000
Everhart Museum .....	42,000	46,000	46,000	42,000	0	0	0	176,000
Mercer Museum.....	178,000	196,000	196,000	181,000	0	0	0	751,000
Whitaker Center for Science & Arts .....	<u>128,000</u>	<u>141,000</u>	<u>141,000</u>	<u>131,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>541,000</u>
Total.....	\$3,044,000	\$3,344,000	\$3,244,000	\$2,874,000	\$213,000	\$0	\$0	\$12,719,000

Source: Governor's Budget Requests from FY 2005-06 through FY 2012-13.

Through the years, grants were also made under the subcategories of collections management projects, organizational planning and development projects, technical assistance, and subvention. For a complete description, including eligibility and match requirements of each of these subcategories of grants under the museum assistance program, please see Appendix C.

According to program regulations, to qualify for a museum assistance grant, “[a] museum must be a legally organized nonprofit institution, essentially educational in nature, with professional staff, which owns or utilizes tangible objects, cares for them, and exhibits them to the public on some regular schedule” in accordance with the American Association of Museums definition. The following type museums are eligible: aquariums, arboretums, botanical gardens, children’s museums, general museums (with two or more equally significant disciplines), history museums, historic houses/sites, military and maritime museums, natural history museums, nature centers, planetariums, science/technology centers, and zoological parks. Museums which were awarded a general operating assistance grant through the Pennsylvania Council on the Arts were not eligible to receive general operating assistance from PHMC, but they were eligible to be awarded a project specific grant.

Multipurpose organizations were also eligible to apply for an assistance grant if the museum was within a multipurpose government or tax-exempt organization, if the museum functions as a discrete unit within the parent organization. A museum that is part of a larger organization will be eligible if it has administrative autonomy for its operations, has a fully segregated and itemized operating budget, and is able to separately and distinctly fulfill all eligibility application requirements.<sup>9</sup>

To apply, a museum must be located in Pennsylvania, have tax-exempt 501(c)(3) status or be an entity of local government, have been incorporated and exhibiting to the public for at least two years, and be registered with the Pa. Commission on Charitable Organizations, as required.<sup>10</sup>

Grants were able to be used to underwrite salary, wages, and benefit expenses; contracted services; printing, publicity, and marketing; postage and telephone; website maintenance; staff training; mortgage interest; equipment purchase under \$5,000, installation and lease (e.g., computers, office furnishings, files); operating costs for utilities and HVAC; building and grounds maintenance; travel and transportation; insurance; licensing and registration; audits; and general office

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<sup>9</sup> The following entities/organizations were not eligible to apply: museums and history sites operated by the PHMC; associate groups at museums and historic sites operated by the PHMC; management groups at museums and history sites owned by the PHMC; museums and historic sites operated by state or federal government agencies; museums with annual operating budgets less than \$100,000; museums receiving nonpreferred appropriations; consortiums of museums; art museums, which are eligible for grants through the Pennsylvania Council on the Arts; and individuals.

<sup>10</sup> If an applicant’s operating budget is more than \$500,000, the PHMC recommended that a Pennsylvania Cultural Data project profile be prepared. Please see Chapter Four for more details on this program.

supplies.<sup>11</sup> Applicants receiving a museum assistance grant were eligible to apply for and receive one grant under the Keystone Historic Preservation Grant Program and, if applicable, one grant under the Certified Local Government Grant Program.

### **Specific Museum Assistance and Local History Grant Awards**

Table 9, below, depicts actual amounts and percent of the total grants awarded per year by PHMC for various grants, by category, from FY 2005-06 through FY 2011-12. This table includes all grants made from the following sources of funding; Museum Assistance, Keystone Conservation Bond Funds, and the Certified Local Government and Black History grant programs, which are federal programs. It does not include the nonpreferreds and the Historical Education and Museum Assistance grant program grants.

Within the programs for which Museum Assistance Grant monies were used, until FY 2008-09, the percent directed toward general operating support remained fairly consistent throughout the years we reviewed. For example, the percent of monies directed toward General Operating Support (GOS) for museums from FY 2005-06 through FY 2008-09 averaged 38.6 percent. The following fiscal year (FY 2009-10), the percent of assistance grant funds directed to GOS Museums did increase sharply to 61.7 percent, however because overall available funds were significantly reduced, the actual funds available were only 50 percent of previous amounts. Similarly, monies directed toward GOS for Historical Societies was consistent in the years prior to FY 2008-09, averaging 6.7 percent of total funds available.

The highest individual Museum Assistance GOS grant in FY 2009-10, the last time PHMC's History and Museum Assistance grant program was funded, was \$20,550. Those same institutions received \$60,000 in GOS funding support in FY 2005-06, which was the last time the PHMC grant program was funded at traditional levels, according to PHMC grants staff. This represents a 66 percent decrease in average funding for general operational assistance per museum.

In one year alone, FY 2008-09, PHMC used \$112,000 of museum assistance funding for a program it called "subvention." These were funds directed to organizations that had taken over properties that the PHMC had previously owned and managed. In addition, in FY 2010-11, PHMC chose to use all of the available state grant funding for the category termed "historic preservation."

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<sup>11</sup> Grants may not be used to underwrite the following activities: endowments; acquisition of objects for the collections; capital improvement projects; projects that serve a religious purpose or promote religious dogma; exhibitions or public programs not available to the public or that occur outside of Pennsylvania; prizes and awards; entertainment expenses; and lobbying-related expenses.

Table 9

**PHMC Grants Given Out by Fiscal Year and Program Category\***  
(FY 2005-06 Through FY 2011-12)

Program	FY 2005-06		FY 2006-07		FY 2007-08		FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12	
	Amt (\$)	% of Total	Amt (\$)	% of Total	Amt (\$)	% of Total	Amt (\$)	% of Total	Amt (\$)	% of Total	Amt (\$)	% of Total	Amt (\$)	% of Total
Archives and Record Mgmt.....	\$ 235,743	3.7	\$ 230,883	3.7	\$ 229,114	3.7	\$ 184,876	3.5	\$ 0	0.0	\$ 0	0.0	\$ 0	0.0
Certified Local Government.....	88,466	1.4	84,559	1.3	87,952	1.4	94,650	1.8	104,690	6.1	116,756	16.6	117,000	18.7
GOS Historical Societies .....	404,375	6.3	411,413	6.5	388,662	6.3	413,500	7.8	382,425	22.4	0	0.0	0	0.0
GOS Museums .....	2,370,695	37.2	2,379,877	37.6	2,533,833	41.2	2,022,868	38.2	1,051,807	61.7	0	0.0	0	0.0
Historic Preservation.....	111,368	1.7	140,620	2.2	101,412	1.6	109,263	2.1	0	0.0	487,496	69.4	111,395	17.8
Historic Markers ....	18,058	0.3	11,909	0.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Keystone Historic Preservation.....	2,213,352	34.7	2,111,788	33.4	1,886,412	30.6	1,509,488	28.5	0	0.0	0	0.0	398,500	63.6
Local History .....	268,047	4.2	184,439	2.9	169,268	2.7	164,501	3.1	0	0.0	0	0.0	0	0.0
Museum Project....	149,676	2.3	203,500	3.2	184,850	3.0	163,208	3.1	0	0.0	0	0.0	0	0.0
Partnership Projects.....	14,747	0.2	76,018	1.2	70,076	1.1	57,624	1.1	0	0.0	0	0.0	0	0.0
Preservation Training.....	11,000	0.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Statewide Conference .....	15,000	0.2	19,780	0.3	28,000	0.5	16,500	0.3	0	0.0	0	0.0	0	0.0
Statewide Organization .....	479,366	7.5	468,678	7.4	476,792	7.7	445,146	8.4	166,750	9.8	0	0.0	0	0.0
Subvention.....	0	0.0	0	0.0	0	0.0	112,000	2.1	0	0.0	0	0.0	0	0.0
Black History Grant.....	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	98,500	14.0	0	0.0
Total.....	\$6,379,893		\$6,323,464		\$6,156,154		\$5,293,624		\$1,705,672		\$702,752		\$626,895	

\*Does not include Non-Preferred Grants given to 10 Museums or targeted Historical Education and Museum Assistance Grants.

Source: Created from information provided by the Pennsylvania Historical and Museum Commission.

## **Keystone Historic Preservation Grant Program**

The Keystone Historic Preservation Program provides funding (in the categories of preservation, restoration, and rehabilitation) for planning related activities and capital improvements for historic resources listed in or eligible for listing in the National Register of Historic Places. According to PHMC staff, eligibility for these funds is limited to non-profit organizations and units of local government that own publicly accessible historic resources. Funding for this program has come from PHMC's portion of bonds issued and realty transfer tax revenues enacted through the Growing Greener I program, which established the Keystone Recreation Park and Conservation Fund. Although the majority of these funds since these laws were enacted have been utilized by PHMC for state-owned facilities (please see Table 7 on page 24), a portion (which averaged 16.3 percent of the total for the years included in this report) has been allocated for nonstate-owned facilities as well. In recent years, the amount allocated by PHMC for nonstate-owned facilities has been approximately \$500,000 annually.

## **Federal Grants Administered by PHMC for Nonstate-owned Museums**

The Pennsylvania Historical and Museum Commission also is responsible for administering the federal Historic Preservation Certified Local Government (CLG) Grant program including fielding applications, project selection, and grant administration. This reimbursement grant program requires a 50/50 match. Funding is provided by a 10 percent allocation of National Park Service funds that PHMC receives.

Grants are available to support projects in the following categories: cultural resource surveys; National Register nominations; historic preservation planning; staffing and training; pooling CLG grants; and third-party administration. Only projects that can be undertaken in the year in which grant money is received are eligible. In addition, PHMC administered for one fiscal year, FY 2010-11, several grants specifically for Black History projects. These funds were provided by the National Park Service through the Preserve America program after PHMC successfully applied for them on behalf of several museums.

## **Funding for Museums Through the Pennsylvania Council on the Arts**

Established in 1966 by Act 538, the Pennsylvania Council on the Arts (PCA) is charged with "the encouragement and development of the various arts" in the Commonwealth. The Council's mission is to foster the excellence, diversity, and vitality of the arts in Pennsylvania and to broaden the availability of the arts throughout the state. The PCA is funded through an annual state appropriation as well as funding from the National Endowment for the Arts, a federal agency. Grants support projects undertaken by organizations that exhibit, preserve, and

interpret visual material through exhibitions, residencies, publications, commissions, public art works, conservation, documentation, services to the field, and public programs. PCA offers funding support for museum services through a number of funding opportunities in cases where programming, collections, or buildings are relevant to agency mission.

The Entry Track is for arts organizations and arts programs that are new or relatively new to the PCA and have an average fiscal size over \$200,000. This track prepares an organization or program to move into the Arts Organizations & Arts Programs (AOAP) track. Applicants must generally have a one year history of consistent arts/cultural programming and nonprofit status, including a unit of government or school districts.

Traditionally, museums in Pennsylvania that have received grants from PCA have done so under either the AOAP track and/or the Pennsylvania Partners in the Arts track. The AOAP track is open to eligible arts organizations, fiscal sponsors, subsidiaries, or departments of non-arts organizations (such as universities or colleges) that have consistently received PCA funding. The AOPA track annually funds over 200 organizations, with an average fiscal size of over \$200,000.

The Pennsylvania Partners in the Arts (PPA) track is a partnership between local organizations and the PCA. Partnership organizations re-grant funds to support a wide variety of local and community arts activities. Grants are available for both Arts Programs and Arts Projects. The PPA program stream funds to over 350 organizations annually with an average fiscal size of \$200,000. In FY 2012-13, these two program tracks funded approximately \$5.7 million worth of grants, of which 19 percent was allocated to the subcategory of art museums and crafts.

PCA also has several additional program streams such as Arts in Education (AIE) Residencies, Preserving Diverse Cultures, Pennsylvania Performing Arts on Tour, and professional development grants.

As seen in Table 10, below, the amount that PCA has had to allocate as grants to the arts has decreased 43.5 percent from FY 2005-06 through FY 2012-13, from \$14.5 million to \$8.2 million, respectively. There are 22 museums in Pennsylvania that are exclusively art museums. This list includes Demuth Foundation; the Southern Alleghenies Museum of Art; the Barnes Foundation; the Mattress Factory, Ltd.; Carnegie Museum of Art and the Andy Warhol Museum (both operating as subsidiaries of the Carnegie Institute); the Everhart Museum of Natural History, Science and Art; the Palmer Museum of Art (Penn State University); the Westmoreland Museum of American Art; the Philadelphia Museum of Art; the Allentown Art Museum; the Foundation for the Reading Public Museum; the Lancaster Museum of Art; the Pennsylvania Academy of Fine Arts; the Susquehanna Art Museum;

Table 10

**PCA General Operations and Grants Funding**  
(Thousands)

Program	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
General Government Operations .....	\$ 1,138	\$ 1,210	\$ 1,295	\$ 1,245	\$ 982	\$ 876	\$ 886	\$ 886	\$ 8,518
Grants to the Arts .....	14,500	15,225	15,225	14,578	10,000	8,262	8,179	8,179	94,148
Cultural Activities .....	5,260	0	0	0	0	0	0	0	5,260
Cultural Preservation Assistance .....	0	0	0	0	2,790	0	0	0	2,790
Total.....	\$20,898	\$16,435	\$16,520	\$15,823	\$13,772	\$9,138	\$9,065	\$9,065	\$110,716

Source: Governor's Budget Requests from FY 2005-06 through FY 2012-13.

the Conservation Center for Art and Historic Artifacts; the Brandywine River Museum (the Brandywine Conservancy); the Fairmont Park Art Association; the Erie Art Museum; the Philip and Muriel Berman Museum of Art (Ursinus College); the Woodmere Art Museum; and the James A. Michener Art Museum. Because these museums receive operating support from PCA, PHMC internal guidelines prohibit them from also receiving it through PHMC. Museums that have multiple types of activities (one of which must be an art museum) are eligible to apply to PCA for project specific grants, although not for operating assistance grants.

## **The Funding of Nonstate-owned Museums Through DCED**

The Cultural Activities Program at DCED provides funding to sustain activities that encourage the local and regional economy by promoting, sponsoring, and/or operating cultural festivals, fairs and events, and cultural events that promote the local tourism industry. Non-profit organizations with a significant interest in the promotion of cultural activities that provide a visitor experience to a tourist region, destination and/or attractions are eligible to apply. Funds may be used to support facility enhancements, new construction, and/or renovations, or for the development of marketing, advertising, and public relations campaigns to build attendance. Other eligible activities may include: film presentations, show case activities, workshops and symposia, special promotions, preview events, open dialogs, pre- and post-viewing discussions, and familiarization programs. According to DCED, there are no statutory or regulatory requirements that govern the funds that DCED previously directly provided to Pennsylvania museums.

Table 11 depicts DCED grants to museum recipients from FY 2005-06 through FY 2011-12 that fall into these categories of funding. Funding from program category to program category varied, with the highest being Employment and Community Conservation grants (\$16,605,950) and the lowest being Manufacturing and Business Assistance grants (\$70,000). Funding from year to year also varied, with an average of \$5,904,015 being granted to museums every year from FY 2005-06 through FY 2011-12. It can be seen that program funding from DCED to museums has dropped significantly overall, from a high of \$10,612,325 in FY 2007-08 to a low of \$125,000 in FY 2011-12.



Table 11

**DCED Grants to Museums by Fiscal Year and Program Category**

<u>Program</u>	<u>FY</u> <u>2005-06</u>	<u>FY</u> <u>2006-07</u>	<u>FY</u> <u>2007-08</u>	<u>FY</u> <u>2008-09</u>	<u>FY</u> <u>2009-10</u>	<u>FY</u> <u>2010-11</u>	<u>FY</u> <u>2011-12</u>	<u>Total</u>
Business Retention & Expansion-CR Grants .....	\$ 550,000	\$ 955,000	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,515,000
Community & Municipal Facilities Assistance.....	250,000	97,500	50,000	195,000	0	0	0	592,500
Community and Regional Development .....	0	0	0	75,000	0	55,000	65,000	195,000
Community Revitalization Program .....	2,037,066	1,129,953	1,181,928	923,001	0	0	10,000	5,281,948
Cultural Exhibitions and Expositions .....	1,395,000	0	0	0	0	0	0	1,395,000
Employment and Community Conservation .....	2,327,000	1,800,000	3,428,500	5,265,450	0	3,735,000	50,000	16,605,950
Economic Advancement Program .....	0	0	660,000	40,000	0	0	0	700,000
Economic Growth & Dev Assistance .....	0	150,000	10,000	300,000	0	0	0	460,000
Local Municipal Resources and Development .....	1,277,617	299,500	355,000	265,000	0	0	0	2,197,117
Manufacturing and Business Assistance .....	5,000	0	55,000	10,000	0	0	0	70,000
Regional Development Initiative .....	0	160,000	660,000	475,000	0	65,000	0	1,360,000
Urban Development .....	252,500	130,000	2,760,500	475,000	0	0	0	3,618,000
Cultural Activities NOC .....	0	347,070	672,897	853,103	0	0	0	1,873,070
Cultural Exhibitions and Expositions NOC .....	0	1,200,000	757,500	50,000	0	0	0	2,007,500
Cultural Preservation Assistance.....	0	0	0	0	1,330,000	1,563,521	0	2,893,521
Tourist Product Development.....	<u>448,000</u>	<u>47,500</u>	<u>11,000</u>	<u>57,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>563,500</u>
Total .....	\$8,542,183	\$6,316,523	\$10,612,325	\$8,983,554	\$1,330,000	\$5,418,521	\$125,000	\$41,328,106

Source: Created by LBFC staff with data provided by the Department of Community and Economic Development.

One specific program under this category whose grant numbers are not included in the above is DCED’s Tourism Accredited Zoos program, which provides funding to Pennsylvania accredited zoos as designated by the Association of Zoos & Aquariums. Funds, which are provided through a separate, direct line item appropriation to DCED in the budget process, may be used to support zoo facilities enhancements, capital projects, or marketing campaigns. The organizations/zoos that have consistently received funding through this program are: the Erie Zoological Society, the National Aviary in Pittsburgh, the Norristown Zoological Society (Elmwood Park Zoo), the Lehigh Valley Zoological Society (Lehigh Valley Zoo), the Pittsburgh Zoo and PPG Aquarium, and the Zoological Society of Philadelphia.

Table 12 shows the amounts granted by DCED to accredited zoos through this program from FY 2005-06 through FY 2012-13, including a breakdown of how much of the amount granted each year was spent on general operational support, tourism activities, and capital projects. As shown, the bulk of the approximately \$10.9 million that has been granted through these years to Pennsylvania’s accredited zoos was spent on general operating support. According to DCED, they were the administrative agency responsible for grant processing, but were not involved in determining amounts granted to recipients.

Table 12

<b>Tourism Accredited Zoos Funding by DCED</b>				
FY 2005-06 Through FY 2012-13				
<u>Funding Year</u>	<u>General Ops</u>	<u>Tourism</u>	<u>Capital Projects</u>	<u>Total</u>
FY 2005-06 .....	\$1.2 M	\$260,000	\$540,000	\$2.0 M
FY 2006-07 .....	\$1.9575 M	\$292,500		\$2.25 M
FY 2007-08 .....	\$1.9575 M	\$292,500		\$2.25 M
FY 2008-09 .....	\$1.6530 M	\$247,000		\$1.9 M
FY 2009-10 .....	\$896,000	\$183,600		\$1.08 M
FY 2010-11 .....	\$377,300	\$112,700		\$ 490,000
FY 2011-12* .....				\$ 450,000
FY 2012-13* .....				<u>\$ 450,000</u>
Total .....				\$10.870 M

\*Level of detail not provided for these years.

Source: Developed by LBFC staff with data provided by DCED

Much like other museum funding, state funding for accredited zoos has decreased significantly, with a reduction of over 77 percent in the past seven fiscal years. For at least the last three budget cycles (FY 2010-11, FY 2011-12 and FY 2012-13), DCED has not requested funding for this program, but it has been restored by the General Assembly in the final budget as passed.

In addition to these funds, DCED has provided funding to museums through the Growing Greener II – Downtown Revitalization (GGII) funding made possible through the Environmental Stewardship and Watershed Protection Act of 2005 and the Neighborhood Assistance Tax Credit Program (NAP) passed as part of the Neighborhood Assistance Act of 1994. From FY 2005-06 through FY 2012-13 the total amount of NAP tax credits going to museums was \$1,108,264, with an average award amount of \$123,140. Activities funded with NAP tax credit proceeds are predominantly arts and museum education projects for youth. There was one GGII award during this timeframe with an award amount of \$500,000.

DCED has also provided federal Community Development Block Grant (CDBG) funds to support projects undertaken by museums. The state statute for CDBG is the Community Development Block Grant Entitlement Program for Non-urban Counties and Certain Other Municipalities passed as Act 1984-179. The total amount awarded to municipalities under this program during the timeframe studied was \$137,566. These grants were used typically for real property maintenance and improvements.

DCED has one other funding source, Keystone Communities, which could support museums; however, funding has not historically been provided to museums through this program or its predecessor programs (Housing and Redevelopment Assistance Program and New Communities) during the fiscal years we are studying. The predecessor programs are no longer funded as of FY 2011-12. The Keystone Communities program does not have a statute or regulations.

## **DCEDs Marketing of Museums Through TPAs**

Museums also benefit from marketing assistance efforts funded by DCED primarily through the Tourist Promotion Assistance grant program. These grants assist county and regional tourist promotion agencies in Pennsylvania by providing grants as matching assistance for advertising and promotion expenses. These efforts help promote Pennsylvania to individuals as an attractive destination in order to maximize Pennsylvania's share of the tourism dollar as well as to companies and organizations as a preferred location with a good business climate and a vibrant place to live and work. Although these funds are not specifically targeted to individual museums, Pennsylvania's museums benefit from these broad-based, yet regionally focused, marketing campaigns when they are involved with their local tourist promotion agencies.

## **Educational Improvement Tax Credit Program**

Pennsylvania's museums are also eligible to receive donations from business entities funded by tax credits through the Educational Improvement Tax Credit (EITC) program administered by DCED. Established in 2001 and authorized under

Title 72, the Tax Reform Code,<sup>12</sup> this program requires the Department of Revenue to grant tax credits to business firms<sup>13</sup> making a contribution—a donation of cash, personal property, or services—to any of three types of educational organizations: scholarship organizations (SOs); educational improvement organizations (EIOs); and pre-kindergarten scholarship organizations (PKSOs). Museums that demonstrate to DCED that they meet the definition of an educational improvement organization provided in the statute...“a nonprofit entity which: (1) is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code; and (2) contributes at least 80 percent of its annual receipts as grants to a public school for innovative educational programs”<sup>14</sup> are eligible to solicit donations from business entities, which then receive a tax credit for doing so.

Currently, approximately 475 EIOs have been approved by DCED to participate in this program, and many different types of organizations are represented as EIOs throughout Pennsylvania. Over 100 EIOs are local educational foundations that are directly associated with school districts. The remainder is a diverse mix of organizations that include arts councils and artistic organizations, museums and science centers, symphonies and choruses, community and youth organizations, zoos, libraries, and others. The greatest growth in program participants since its inception has been the number of EIOs.

Tax credits for business contributions to EIOs are not to exceed 75 percent of the contribution. The tax credit can increase to 90 percent if a business commits to provide two consecutive years of contributions. With the exception of second year commitments, tax credits are awarded by DCED for EIOs on a random basis until the allocation for EIOs is exhausted, since more credits are sought than are available.

The amount of tax credits available to be distributed under the EITC program was originally capped at \$30 million. The Legislature subsequently increased the cap several times to as high as its current \$100 million. Table 13, below, shows the total allocation for each year since FY 2005-06 and how the credits are apportioned among program participant groups. Available funding for EIOs, including museums, during this current year is 34 percent more than last year, at \$30 million. Additionally, the maximum credit per business has increased to \$400,000 (up from \$300,000) in fiscal year 2012-13. There is no limit as to the number of businesses that can contribute (receive tax credits) per EIO.

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<sup>12</sup> 72 P.S. §8701-F *et seq.*

<sup>13</sup> A “business firm” is an entity authorized to do business in Pennsylvania and subject to paying taxes or a pass through entity.

<sup>14</sup> DCED EITC program Guidelines, p.4, April 2, 2012.

Table 13

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**EITC Tax Credit Limits, by Fiscal Year**


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<u>Year Available</u>	<u>Total Credits</u>	<u>Scholarships</u>	<u>Pre K Scholarships</u>	<u>Educational Improvement Orgs</u>
2005-06 .....	\$ 49,000,000	\$29,333,333	\$ 5,000,000	\$14,666,666
2006-07 .....	59,000,000	36,000,000	5,000,000	18,000,000
2007-08 .....	75,000,000	44,666,667	8,000,000	22,333,333
2008-09 .....	75,000,000	44,666,667	8,000,000	22,333,333
2009-10 .....	60,000,000	37,967,000	6,400,000	15,633,000
2010-11 .....	60,000,000	40,202,400	6,396,000	13,401,600
2011-12 .....	75,000,000	44,666,667	8,000,000	22,333,333
2012-13 .....	100,000,000	60,000,000	10,000,000	30,000,000

Source: Annual tax credits available and the amount apportioned to each type of program under EITC, were obtained from DCED staff.

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### **Additional Funding Resources for Museums**

Several other state and federal agencies provide funding for Pennsylvania's museums.

***Pennsylvania Humanities Council.*** For example, the Pennsylvania Humanities Council (PHC), a private, nongovernmental, nonprofit organization, is committed to giving Pennsylvanians access to the humanities by fostering the sharing of stories and ideas to increase understanding and a large vision of human life, community, and possibility. This is done through several programs and partnerships, including, on an ongoing basis, grants of varying sizes, a statewide speakers' bureau (Commonwealth Speakers) open to all nonprofits, several book discussion series custom-designed for public libraries, statewide media projects featuring the humanities, and other special events in the capitol and around the Commonwealth.

The PHC is particularly interested in projects that explore significant events and themes in American culture and history—projects that illuminate current concerns, advance knowledge of the American experience and express diverse perspectives. Projects may take the form of book discussions, performances, or exhibits accompanied by lectures, or other formats, both traditional and innovative.

The PHC's government support, including state support, includes the following: Institute of Museum and Library Services, with the Pennsylvania Heritage Society National Endowment for the Humanities, the National Park Service, with Pennsylvania Historical and Museum Commission Office of Commonwealth Libraries (LSTA), Pennsylvania Department of Education, and the Pennsylvania Department of Community and Economic Development. Funding that the PHC has

received from PHMC and DCED has dropped from a high of \$262,292 in FY 2008-09 to zero in FY 2011-12.

**DCNR.** We were informed that grants had been provided to museums in Pennsylvania by the Department of Conservation and Natural Resources. However, we were unable to obtain any information from the department regarding programs, amounts, recipients, and funding sources.

**PENNDOT.** PennDOT funding for transportation museums has come mainly from the federal Transportation Enhancements program contained in 23 USC 101. Through the “Establishment of transportation museums” activity, communities can create museums to educate the public about the history of transportation in America. Often, museums are created within a rehabilitated historic transportation building. In recent years, the Federal Transportation Enhancements program apportioned \$28 million to Pennsylvania each year for all transportation enhancement activities, including museums. In one instance, funding for a transportation museum came from the Secretary’s discretionary funding allocation.

Exhibit 1, below, shows the Transportation Enhancement projects awarded by PennDOT, from FY 2005-06 through FY 2012-13, to Pennsylvania’s museums. Projects funded at 80 percent federal funding are selected by the individual Municipal Planning Organizations and Regional Planning organization planning partners with eligibility input provided on behalf of PennDOT and FHWA. Projects funded at 20 percent federal funding are distributed via the Secretary’s Discretionary Fund. There were no state funds spent on these projects. All matching funds (pre-construction) were done with local funds (project sponsor) and construction was done with 100 percent federal funds utilizing toll credits.

Exhibit 1

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**Transportation Enhancement Projects Awarded - Transportation Museums**

Weather Protection for D&H Car (Wayne Co-NEPA)  
Cost: \$58,650

Restoration Project-PH2 Boyertown (Carriage Factory) (Reading MPO)  
Cost: \$138,920

Quarter Roundhouse-PH3 (Altoona)  
Cost: \$2,000,000 (Secretary’s Discretionary)

West Penn Railway Trolley Car 832 Rehabilitation (Washington Co-SPC)  
Cost: \$350,000

Museum Facility Upgrades—Fire Suppression, Wheelchair Accessibility, etc.  
(Washington Co-SPC)  
Cost: \$376,000

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Source: Developed by LBFC staff using information provided by PennDOT.

With the recent passage of “Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21),” and the newly designated “Transportation Alternatives” program (combining TE, Safe Routes to School, and the Recreational Trails Program), transportation-related museums are no longer an eligible activity. PennDOT does not foresee any future transportation funds being used for museums nor were they aware of any studies being conducted on the impact of recent budget cuts on museums in Pennsylvania.

## **Federal Funding**

Federal funding for museums in Pennsylvania has also been made available, generally, from five different federal agencies: the Institute of Museum and Library Services (IMLS), the National Science Foundation (NSF), the National Endowment for the Humanities (NEH), the National Endowment for the Arts (NEA) and the National Park Service. Additional grant programs are provided through the U.S. Department of Education, Preserve America, the National Preservation Trust, and the Save Our History grant program.

We asked the PHMC if they could provide us with information regarding the types and amounts of federal funds being granted to Pennsylvania’s museums through these various sources. Although they were aware that our museums have received direct funding from a variety of federal agencies, they were not aware of the types of grants and dollar amounts. PHMC noted that they are not directly involved in the administration of federal funds for museums, except for the Historic Certified Local Government grant program, as mentioned previously.

According to the Institute of Museum and Library Services, Pennsylvania institutions are highly competitive in terms of their ability to secure federal funding. Table 14, below, lists the amount of funding Pennsylvania museums received from federal agencies between 2000 and 2006. For each of the four federal agencies, Pennsylvania ranked sixth or better in terms of total dollars received over the seven years. During this timeframe, Pennsylvania ranked fifth in the country in terms of total federal dollars funding museums in the state.

Table 14

**Federal Support for Pennsylvania Museums by Source**

FYs 2000 to 2006

<u>Federal Agency*</u>	<u>Funds From FYs 2000 to 2006</u>	<u>Rank</u>
IMLS .....	\$10,474,319	5
NSF .....	17,327,026	6
NEH.....	5,317,059	4
NEA .....	2,083,777	5
NPS .....	<u>16,244,889</u>	*
Total .....	\$51,447,070	5

\*NPS data developed by LB&FC utilizing information for FYs 2000 to 2006 provided on NPS website, so rank is not available.

Source: Urban Institute analysis of IMLS, NSF, NEH, and NEA data, 2008.

In addition to being competitive in terms of state grants, Pennsylvania received \$24,390,313 in total congressional earmarks from the years 2001 to 2006, ranking fourth in the country for the total amount of earmark support received during this period.<sup>15</sup>

<sup>15</sup> Institute of Museum and Library Services, Exhibiting Public Value: Government Funding for Museums in the United States, December 2008, p. 114.



## IV. The Impact of the Economic Downturn and Declining State Funding on Pennsylvania's Museums

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In April 2012, the American Alliance of Museums (AAM) released a report entitled *Museums and the American Economy in 2011*. It reported the results of a survey conducted of its members on their economic situation in light of the downturn in the economy. The survey reported that “in 2011, American museums reflected the overall state of the U.S. economy, with a high level of economic stress and continued belt-tightening, but also the signs of potential recovery.”<sup>1</sup> Key points identified in the survey were that nationally:

- More than 70 percent of respondents reported economic stress.
- Nearly 40 percent of museums experienced a decline in total revenues. This is over and above losses they experienced in 2010.
- 47 percent of museums experienced a drop in government support.
- The median price of an adult general admission ticket remained at \$7, although museums that charge admission were less likely to see increases in attendance.
- Museums adopted a variety of budget-saving measures including deferring maintenance, relying more on volunteers, hiring freezes, and relying more on their own collections for exhibitions. Approximately 13 percent of respondents reported they laid off staff; however another 19 percent reported they added staff.<sup>2</sup>

However, even with all these negatives, the report notes that most museums served more visitors in 2011 than the year before. The largest museums (with budgets of more than \$4 million) and the smallest museums (with budgets of \$250,000 or less) were just as likely to see increases in attendance. Although museums reported adopting cost-saving measures, one area they did not cut back was education, with 88 percent of museums maintaining or increasing the amount of resources devoted to K-12 students and their teachers. Responses received from the survey of Pennsylvania's museums that we conducted (discussed in more detail below) depict similar results.

In addition, the National Assembly of State Arts Agencies recently reported that private funding provided to arts agencies has not expanded over time to fill the void left by loss of public funding. Thirty state arts agencies reported the receipt of

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<sup>1</sup> American Association of Museums, *Museums and the American Economy in 2011*, April 2012, p.1. Invitations were sent to approximately 2,250 institutional members of the AAM. Responses were received from 433 (19%) institutions.

<sup>2</sup> According to the report, the federal Bureau of Labor Statistics estimates a gain of 4.7 percent in the number of people working in the museums, historical sites, zoos, and parks between January 2011 and January 2012.

private funds (grants or contributions) in FY 2012. However, these private funds comprised only 0.6 percent of total state arts agency revenue in FY 2012. In FY 2003, private funding comprised 0.9 percent of total SAA revenue.<sup>3</sup>

## Recent Funding for State Arts' Agencies

In a study that ranked states by funding for the arts released in October 2009, an advocacy group called ArtBistro.com gathered and analyzed state arts funding budgets for 2009 and those proposed for 2010. Dollars utilized appear to be those allocated to agencies that are the equivalent of Pennsylvania's Council on the Arts. As noted previously, PCA's grant budget has diminished 43.5 percent from 2005-06 through 2012-13. The study found that even in this economy many state arts budgets are increasing or staying the same while others, in contrast, are slashing their arts funding by as much as 81 percent. When comparing 2009 funding to proposed 2010 funding, they found that the number of states that are narrowing their arts funding budget is 37 (three quarters), while the number of states that are expanding their arts budgets is 14 (one-quarter).

The two tables below, Table 15 and Table 16, show those states that had the largest budget expansions and those that have had the largest budget cuts, from 2009 to 2010. Pennsylvania falls into neither of these categories, although grants funding through Pennsylvania Council on the Arts diminished by 17 percent<sup>4</sup> during this timeframe.

Table 15

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### Largest State Arts Budget Expansions From FY 2009 to FY 2010

<u>State</u>	<u>Percent Change</u>	<u>2010 Budget</u>
Minnesota .....	196.8%	\$30,274,000
Texas .....	98.7	7,745,294
Missouri .....	92.0	13,580,000
Arkansas.....	32.8	2,121,058
North Dakota.....	17.1	684,367
Virginia.....	15.5	4,420,804
New York .....	6.4	52,032,000
Mississippi .....	5.2	1,907,411
Rhode Island.....	4.1	1,983,984
Maine .....	4.0	722,514

Source: Artbistro.com, 2009.

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<sup>3</sup> *Policy Brief; Supplemental Funding 2012*, National Assembly of State Arts Agencies.

<sup>4</sup> Please see Table 10 on page 31 for FY 2005-06 through FY 2012-13 PCA budget figures.

Table 16

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**Largest State Arts Budget Cuts From FY 2009 to FY 2010**


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<u>State</u>	<u>Percent Change</u>	<u>2010 Budget</u>
Michigan .....	-81%	\$1,417,400
Florida .....	-65	2,500,000
Illinois .....	-53	7,552,800
District of Columbia .....	-50	6,578,005
Puerto Rico.....	-43	15,500,000
Nevada .....	-36	1,102,406
Ohio .....	-34	6,594,290
Georgia.....	-34	2,595,127
Arizona .....	-34	956,100
Connecticut .....	-32	6,449,519

Source: Artbistro.com, 2009.

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*Grant Makers in the Arts*, reported in a recent article that numerous states did not reduce their investments in the arts further in FY 2012; in fact, 25 states expect to maintain or increase their appropriations to state arts agencies this year.<sup>5</sup> The article goes on to cite several states (South Carolina, Arizona, Washington, Kansas, Minnesota, and Pennsylvania) that faced some extreme challenges to sustaining the arts in this environment.

According to the publication *Museum Management and Curatorship*, no national studies have been undertaken of how the economic downturn has affected the museum sector specifically. However, they note that to operate effectively, museums generally must have a mixture of income, both earned income and public or private contributions that they can rely upon.<sup>6</sup> Certainly one of the sources of income for museums has been the financial support provided by states through state agencies or directly through line-item appropriations. This support has fallen, not only in Pennsylvania, but in many states across the nation. As stated by Jonathan Katz, CEO of the National Assembly of State Arts Agencies in response to states' funding trends for the arts:

When a state's arts funding is cut, communities throughout the state feel the consequences. Cuts in funding diminish the benefits that state arts agencies provide to strengthen education outcomes, promote civic vitality and ensure that all citizens have the opportunity to enrich

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<sup>5</sup> State Arts Agencies in the 2012 Legislative Session, Jonathan Katz, Ph.D., GIA Reader Vol.22 No.3, Fall 2011.

<sup>6</sup> *Museum Finances: Challenges Beyond Economic Crisis*, published in *Museum Management and Curatorship*, vol. 27, no. 1 (February 2012), p.2.

their lives through participating in the arts. State leaders who recognize the exceptional value offered by their state arts agencies as partners in economic recovery work to maintain support for the arts despite financial difficulties because they understand the significant return on investment in terms of jobs, commerce and tax revenues, as well as quality of life.<sup>7</sup>

## **The Impact of the Loss of State Funding**

In preparing this report, we sought input from state agencies and stakeholder groups to assess the impact of the decrease in state funding over the last eight years on museums. Due to their own budget cuts, PHMC responded that they have not undertaken any studies, reports, or research papers of the impact of recent cuts on nonstate-owned museum operations.

The PA Federation of Museums, however, had conducted a survey in April 2011 to determine the impact of declining state dollars for museums. For most questions, they received an average of 75 responses. Their results showed that Pennsylvania's museums and historical organizations are still reacting to broader economic problems of the recession and the elimination of PHMC's grants for general operations.

The elimination of the History and Museum Assistance grants was specifically cited as a cause of budget deficits in county historical societies, although many still receive support from county governments. A large majority of these survey respondents (69 percent) said that their museum or official county historical society was experiencing a budget deficit as a direct result of no longer receiving a GOS grant, although 83 percent of respondents said they did not anticipate their institution closing due to the loss of funds.

The PA Federation survey also found that the people who work in Pennsylvania's institutions continue to view what they do as important, and some of them do it for lower wages with fewer benefits and longer hours than they did two years ago when the recession began. Finally, based on responses, the PA Federation found that this segment of the nonprofit sector has reacted slowly to funding reductions and cuts, and the trends indicate job losses for museums and historical organizations as one in every five institutions.

## **LB&FC Survey of Museums**

To gather more up-to-date information for this study, we sent a survey to all recipients that received funding from PHMC, PCA, or DCED during any of the

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<sup>7</sup> States Ranked by Funding for the Arts, October, 2009.

years 2005-06 through 2011-12. In addition to gathering information on the demographics of Pennsylvania's previous museum funding grant recipients, we sought to gather more recent data on the impacts that the loss of state funding has had on Pennsylvania's museums. Our survey resulted in 90 responses that were received and tabulated. Please see Appendix D for a copy of the survey instrument used.

To better understand the differences that the loss of funding has had on different museum operating budget groups, we grouped the survey results by operating budget size. Operating budget size delineations used were;  $\leq$ \$25,000, \$25,001 to \$99,999, \$100,000 to \$249,999, \$250,000 to \$999,999, \$1,000,000 to \$4,999,999, and  $\geq$ \$5,000,000. We received 8, 16, 7, 20, 23, and 16 responses, respectively, in those categories, which, according to the Executive Director of the PA Federation of Museums, is a fairly representative sample of the relative number in each category statewide.

State grant funds, as a percentage of a museum's total budget varied, in some cases markedly, depending on budget size, with the smaller sized organizations receiving a much higher percentage (26 percent and 17 percent respectively) of their overall revenues from state funding sources. Results in the middle and upper categories were less variable (between a low of 6.4 percent and a high of 7.1 percent). Across all operating budget categories, state funding provided an average of 11.7 percent of our survey respondent's budgets. This is in keeping with results found by PA Museums.org which found that, on average, 15 percent of total income for their members was due to governmental grants and support.

In an effort to determine whether the loss of state funding since 2009-10 had any direct negative impacts on previous recipient's museum operations, we asked survey respondents to provide us with information regarding changes they have had to make regarding various operating parameters. Choices given were to answer more, less, or no change to each of these criteria;

- paid staff,
- reliance on volunteers,
- hours open to the public,
- admission price charged,
- educational/outreach programming,
- time spent on fundraising,
- time spent on collections care, and
- whether the museum had to find new sources of earned income.

We found that at least three of the entities to whom we had sent surveys have since closed. Table 17, below, presents the tabulation of the responses on the direct impacts of the loss of state funding resources, across all operating budgets.

Table 17

**Impact of Loss of State Funding on Nonstate-owned Museums  
Across All Operating Budget Categories**

	<u>More</u>	<u>Less</u>	<u>No Change</u>
Size of Paid Staff .....	10%	49%	33%
Reliance on Volunteers.....	56	1	42
Hours Open .....	8	19	72
Admission Price .....	43	1	56
Educational Programming ....	21	39	40
Fundraising .....	88	1	11
Collections Care .....	18	31	51
New Earned Income .....	49	11	40

Source: Prepared by LB&FC staff with data from independent survey performed of museums that had received state assistance in the past.

“More time spent on fundraising efforts” was the response selected most frequently by respondents (88 percent), followed by “more reliance on volunteers” (56 percent), “fewer paid staff” (49 percent reported having to reduce paid staff), and “finding new sources of earned income” (only 49 percent reported being able to do this). Even with all the additional time spent on fundraising, 51 percent reported either the same or fewer sources of earned income. Thirty-nine percent of the respondents reported having to offer less educational/outreach programming due to cut backs in funding, and 31 percent reported having to reduce the time spent on the care of their collections.

Although 38 percent of those responding to our survey do not currently charge any admission fees, 43 percent of those that do reported having to raise those fees due to the loss of funding from the Commonwealth. Fifty-three percent of those that charge admission offer a free or pay what you will day either weekly, monthly, quarterly, or annually. Only 8 percent never offer a free admission day to museum goers.

Regardless of operating budget size, the percentage of museums that reported spending more hours on fundraising was relatively constant. However, the impacts felt in other categories were not as consistent and in some cases varied noticeably. Table 18 is a complete table of percent of respondents who answered more, less, or no change to these various impacts, organized by operating budget category.

Table 18

**Impact of the Loss of State Museum Funding by Budget Category of Respondent\***

Budget Category of Respondents	Number of Respondents	Paid Staff			Reliance on Volunteers			Hours Open to the Public			Admission Price Charged			Education/Outreach programs			Time Spent on Fundraising			Time Spent on Collections Care			Found New Sources of Earned Income			
		M	L	NC	M	L	NC	M	L	NC	M	L	NC	M	L	NC	M	L	NC	M	L	NC				
≤ \$25,000	8	0%	13%	25%	63%	0%	25%	13%	13%	38%	0%	0%	38%	13%	25%	13%	75%	0%	0%	25%	25%	13%	25%	13%	25%	13%
\$25,001 to \$99,999	16	19%	25%	50%	56%	0%	44%	25%	13%	63%	19%	0%	69%	25%	6%	13%	81%	6%	13%	38%	31%	25%	63%	6%	31%	
\$100,000 to \$249,999	7	14%	14%	71%	29%	0%	71%	0%	0%	100%	29%	0%	71%	29%	14%	57%	86%	0%	14%	29%	29%	43%	57%	29%	14%	
\$250,000 to \$999,999	20	5%	45%	45%	50%	5%	40%	0%	20%	70%	40%	0%	55%	10%	35%	45%	70%	0%	25%	10%	30%	45%	40%	5%	50%	
\$1,000,000 to \$4,999,999	23	13%	65%	17%	65%	0%	30%	4%	35%	57%	52%	4%	39%	17%	43%	35%	91%	0%	4%	17%	43%	35%	91%	0%	4%	
≥ \$5,000,000	16	0%	56%	31%	44%	0%	44%	6%	6%	75%	56%	0%	31%	13%	44%	31%	88%	0%	0%	13%	44%	31%	88%	0%	0%	

\*Percentages do not always add to 100 percent due to respondents not always making a selection in each category. M stands for more time spent, L stands for less time spent, and NC stands for no change in time spent.

Source: Developed by LB&FC staff from answers to LB&FC questionnaire.

As shown in the table, the reported impacts of the loss of funding felt by Pennsylvania's museums that had previously received grants varied by operating budget size. As stated previously, the amount of state grant support received varied markedly from one budget size to another, with those in the lowest category of operating budget size depending more heavily on state support than those in higher budget operating categories. This relative dependency did not however correlate directly to the impacts reported to us by museums. Those in the highest two budget categories reported more negative consequences overall to the loss of state museum funding than those in the lower budget categories.

All but one group reported having to rely more on volunteers. Perhaps because they have more paid staff, museums in the highest two budget categories reported a more direct impact on having to reduce the size of their paid staff complement as a result of reduced state funding. The majority of respondents reported no change in their hours open to the public, although those in the lowest two categories report trying to be open more hours. With regard to admission price charged, the loss of state funding appears to have impacted the highest two budget categories more, as they more frequently reported having to raise ticket prices. Education and outreach programming seems to also have been hit harder at the higher two operating budget categories, whose respondents reported more frequently (almost 50 percent) having to provide less of this type of programming for both museum goers and externally. Mid-range museums tended to be impacted more by having to spend less time and money on collections care while the second and third operating budget size museums (\$25,001 to \$99,999 and \$100,000 to \$249,999, respectively) appeared to be significantly more successful at finding new sources of earned income.

Since our survey did not ask questions of specific groups like County Historical Societies the following questions and answers were obtained from the survey done by the PA Federation of Museums and Historical Organizations mentioned previously. In response to a question about number of years the county historical societies had received PHMC's GOS Grant for Official County Historical Societies or under its former name, Local History Grants for County Historical Societies the average number of years was 16 as PHMC's support of county historical societies predates the Museum Assistance program.

In response to questions about size of funding awards to historical societies, the county historical societies reported an average grant amount of \$8,590. This program of the PHMC offered a range of grants between \$1,000 and \$10,000 according to PHMC. Furthermore, some of the larger historical societies that also have museums may have applied under the PHMC's Museum Assistance GOS grants track range (not to exceed 10 percent of an organizational budget and not to exceed \$150,000).



The PA Museums.org survey also asked whether county historical organizations were continuing to receive funding support from their county commissioners since the elimination of PHMC GOS grant funding. Ten out of the 11 respondents indicated they continue to receive funding from their county. The PHMC grant funding was contingent upon support from the county for official county historical societies, although the loss of funding from the Commonwealth does not appear to have led to erosion in funding at the county level. Most official county historical societies collect and care for county records under mandates and retention policies. For now, county commissioners are continuing to recognize the work of the majority of the official county historical societies, or at least for those historical societies that responded to the survey.

As a part of the survey process, museums were given the opportunity to express how their particular organization has reacted to the loss of state funding for museums, and many took the opportunity to do so. A sampling of comments made by survey participants related to these impacts can be found at Appendix E.

Museums reported that the loss of state funding, combined with the economic downturn, has had very real consequences for Pennsylvania's museum community, including state-owned facilities and sites. Museums' staffs have been reduced, their hours, programs, and exhibitions have been cut back. Time spent on collections care has been reduced and reserve funds, if any, have had to be spent to pay bills or cover deficits. The state's museums and heritage organizations hold millions of items in the public trust for the benefit of the people of Pennsylvania. Yet stewardship of these materials can be compromised without the people to care for them and make them available to citizens, and without safe environments to protect them. As one example, recently the Andy Warhol Foundation announced that it will disperse its entire collection in order to raise funds and shift, almost exclusively into a grant-making organization. According to a recently published article, "In selling its remaining inventory it has decided to focus on making grants, typically about \$13 million per year. With proceeds from the sales, the foundation expects to increase its \$225 million endowment and hopes to fill the void left by declining private and government arts support."<sup>8</sup>

## **Impact of Decreasing Budget to State-owned Museums**

Although the main focus of this study is funding to Pennsylvania's nonstate-owned museums, we found that the state-owned museums have also experienced major cutbacks. These cutbacks can also affect the state's economy, as the data that have been previously cited in the report regarding the economic, social, educational, and cultural impact of museums and the arts also applies to the state-owned museums and historical sites.

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<sup>8</sup> *Warhol Foundation Will Donate or Sell Its Whole Collection*, New York Times, September 5, 2012.

As reported previously, in the seven years that we studied (FY 2006-07 to FY 2012-13), PHMC's overall operating budget has been reduced from \$50.5 million to \$26.2 million, a reduction of 48 percent. The following list, provided by the PHMC, highlights some of the negative impacts of budget cuts since FY 2005-06 on PHMC generally and state-owned museum operations:

- Reduced PHMC staff from 433 to 210, a reduction of 223 people or 52 percent.<sup>9</sup>
- Increased admission prices to all historic sites and museums.
- Reduced days and hours that sites and museums are open to the public.
- Ceased regular operations and hours at a number of sites.
- Site visitation has decreased 48 percent due to
  - site closures,
  - site seasonal closures,
  - reduced hours at all sites, and
  - price increase.
- Reduced maintenance and custodial care at all PHMC facilities. Eliminated maintenance staff at some sites and reduced at others. The number of acres (2473) and buildings (456) that remain PHMC responsibilities has stayed the same.
- Reduced security at all PHMC sites placing buildings and collection at increased risk.
- Reduced care, inventory, access, and knowledge of state-owned collections due to severe curatorial staff and funding reductions.
- Elimination of conservation lab and services.
- Closed the State Bookstore.
- Terminated the PHMC publications program and department.
- Eliminated staffing for the PHMC library.
- Reduced state funding led three historic sites non-profits to return three sites to full PHMC responsibility.
- Reduced staff and funding to support infrastructure issues at sites.
- Severely reduced interpretation and education staff at sites and museums.
- Reduced exhibitions and programs.
- Terminated the state-wide speakers program.
- Eliminated the Museum Assistance grant staff and reduced Keystone grants.

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<sup>9</sup> These figures include all employees at PHMC, not just those directly involved in the operation of state-owned museums.

PHMC also reports it has divested itself of over 20 historical sites and museums. Because of all of the above, PHMC reports that it can no longer properly fulfill the agency's legal mandate to protect and preserve the sites and collections of the Commonwealth and, as of this report's release, is considering closing additional sites and museums.<sup>10</sup>

## **Arts and Culture Coalition**

One potentially positive impact of the loss of state funding for museums has been the ad hoc creation of an entity that has been termed the Arts and Culture Coalition. Its formation began in 2011, and its steering committee first met in early 2012, facilitated by the Citizens for the Arts in Pennsylvania. The original steering group discussed common issues and advocacy efforts and worked towards bringing together a larger group with similar concerns.

This larger group recently convened a meeting in Harrisburg consisting of representatives from arts organizations (exhibiting and performing), organizations with a focus on the humanities, museums of all types and sizes, zoos, public broadcasting, and state agencies involved in the funding of cultural activities in Pennsylvania. Communications between the diverse communities of the coalition are reportedly open, honest, and future thinking. Ultimately, a handful of advocacy requests were forged from these discussions and resulted in the publication and presentation of advocacy materials.

According to representatives from the coalition, they are all in agreement that creating a galvanized group of community advocates will build a good foundation for working together long term. There already have been positive results of this group's getting together as members of the legislature recently announced the creation of a "culture caucus" within the Pennsylvania General Assembly.

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<sup>10</sup> PHMC response to LB&FC preliminary information request, dated August, 2012.

## V. Issues and Options for Museum Funding in Pennsylvania

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This chapter reviews various issues and options for future museum funding in Pennsylvania, including grants awarded by the Pennsylvania Historical and Museum Commission, positive features of the processes used by the Pennsylvania Council on the Arts and the Department of Community and Economic Development, factors Pennsylvania museums believe should be considered when awarding grants in any future program, and how other states structure their museum assistance programs.

### Pennsylvania Historical and Museum Commission

The PHMC is responsible for administering Museum Assistance grants (which include both Special Project Support grants and Technical Assistance grants); Local History grants (which include Project Support grants and General Operating Support grants for historical societies); and Keystone Recreation, Park and Conservation Fund grants.

To understand how these grant programs have operated in the past, we reviewed PHMC's procedures for awarding these various grants against the PHMC's regulations as promulgated in 46 Pa. Code, Chapter 17.

Our review was hampered, however, because, at least in recent years, PHMC has not utilized the categories provided for in the program's regulations when awarding grant funds. Colleges, for example, are allowed to receive Local History grants but not Museum Assistance grants. Because PHMC has not distinguished between Local History and Museum Assistance grants since FY 2008-09, we were unable to determine whether a grant made to such an institution was allowable. PHMC also does not distinguish between the two different types of Museum Assistance grants (Special Project Support grants and Technical Assistance grants), each of which have different maximum grant amounts and allowable purposes.

With these caveats in mind, we identified the following issues with regard to PHMC's grant administration:

*Grants awarded to organizations that are not museums.* Under PHMC's regulations, entities that may apply for a Pennsylvania Museum Assistance grant are defined in Chapter 17.2 (a) and (b);

- (a) Institutions that meet the American Association of Museums' definition of a museum as "an organized and permanent nonprofit institution, essentially educational or aesthetic in purpose, with a professional staff (paid or unpaid), which owns and utilizes tangible

objects, cares for them and exhibits them to the public on some regular schedule,” may apply for grant assistance.

- (b) The following are among the types of museums that are eligible to apply if they satisfy other eligibility requirements:
  - (1) Aquariums.
  - (2) Arboretums.
  - (3) Art museums.
  - (4) Botanical gardens.
  - (5) Children’s museums.
  - (6) General museums—with two or more equally significant disciplines.
  - (7) History museums.
  - (8) Historic houses/sites.
  - (9) Natural history museums.
  - (10) Nature centers.
  - (11) Planetariums.
  - (12) Science/technology centers.
  - (13) Specialized museums—limited to a single, distinct subject or organizations with two or more museums of different disciplines.

Local history grants eligibility is defined in Chapter 17 Section 102 as:

17.102. The following institutions and organizations may qualify for grant assistance if they meet the specific eligibility requirements for one or both types of Local History Grants:

- (1) Historical societies.
- (2) Colleges and universities.
- (3) Museums.
- (4) Local governments and libraries—archives and records management only.
- (5) Other historical organizations.

We found, however, many instances in which the PHMC has awarded grants to organizations that do not appear to qualify, such as statewide museum associations, performing arts and film organizations, and TV/radio stations.

This may be due, in part, to the fact that there is no authoritative list of museums in Pennsylvania.<sup>1</sup> Currently the Institute for Museum and Library Services (IMLS) is undertaking a comprehensive census of museums in the U.S. based on their definition of a museum found at 20 U.S.C. §9172. This is also the definition that is contained in 46 PA Code Chapter 17. At this time the IMLS believes that no accurate inventory exists and that the current assumptions vastly underestimate the number of U.S. museums. The IMLS believes this data will help public officials and practitioners make informed policy decisions about the future of museum service in the U.S.<sup>2</sup> We found the lack of a definitive list of museums in Pennsylvania to be problematic, especially for grant-makers such as PHMC that are bound to limit awards to qualified museums.

***Museum Assistance grants are often awarded for general operating support, but this is not an allowable purpose under PHMC's regulations.*** PHMC regulations specifically prohibit Museum Assistance grants from being used for a museum's general operating support. We found, however, that museum general operating support was the most frequently funded type of Museum Assistance grant. Between FY 2005-06 and FY 2009-10 (the Museum Assistance grant program was not funded in FY 2010-11 or FY 2011-12), a total of \$21.7 million in grants were awarded, of which 43 percent was awarded as general operating support for museums.

***Grants awarded in amounts that exceed regulations.*** PHMC regulations state the Museum Assistance grants are not to exceed \$30,000. Local History Project Support grants are not to exceed \$3,000, and Local History General Operating Support Grants are not to exceed \$10,000. We found that 128 (24 percent) of the awards made between FY 2005-06 and FY 2009-10 exceeded \$30,000. When we looked at the total remaining categories of grants awarded under the Museum Assistance and Local History program, we found that 11.4 percent of the awards made (or 41.6 percent of the funds in terms of dollars awarded) were over the \$30,000 threshold.

We also found that Local History Project Support grants frequently exceeded \$3,000, including one grant for \$15,000. All the Local History General Operating Support grants we reviewed met the regulatory requirement of being for \$10,000 or less.

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<sup>1</sup> PHMC was unable to provide a current list of all nonstate-owned museums and historical societies in Pennsylvania. The list they provided consisted of the list of previous grant recipients, many of which are not museums. The Pennsylvania Council on the Arts list of museums includes only those to whom they have provided grant funds in the past, as well. DCED's tourism website [visitpa.com](http://visitpa.com) lists 853 museums in Pennsylvania. The PA Museums.org website indicates that there are over 1,200 museums and historical organizations in Pennsylvania, although their membership totals 400. A search of Wikipedia performed in August 2012 yielded a list of 622 museums in Pennsylvania.

<sup>2</sup> Institute for Museum and Library Services, Fiscal Year 2013 Appropriations Request to the United States Congress, p.8.

**Organizations have received multiple Museum Assistance grants in the same year, which is specifically prohibited by PHMC regulations.** Museums are entitled to receive only one Museum Assistance grant per year. Our review of PHMC files for the period FY 2005-06 through FY 2009-10 found, however, that museums were often awarded multiple Museum Assistance grants in the same year.

When we pointed out these discrepancies to PHMC, they explained that in 1996, the Governor and General Assembly provided a substantial increase in PHMC grant funding in order to establish the History and Museum Grant Program, which was to include grants for General Operating Support for museum programs and other initiatives such as expanded organizational eligibility and larger grant awards. Therefore, in addition to the 1989 regulations, PHMC developed internal policies for the award of History and Museum grants. However, PHMC did not provide, nor could we find any legislative language creating the History and Museum Grant Program. We also note that in the Governor's Budget Documents, funding is indicated for the Museum Assistance grant program, but there is no mention of the History and Museum Grant program.

**Keystone Recreation, Park and Conservation Fund grants also have exceeded the allowable maximums establish in PHMC internal guidelines.** Act 1993-50, the Keystone Recreation, Park and Conservation Fund Act, provided for funding for the acquisition of, improvements to, and the rehabilitation of parks, recreational facilities, educational facilities, historic sites, zoos, and public libraries. Section 8(e) of the act requires that the Pennsylvania Historical and Museum Commission utilize any funds it receives from this act for planning, acquisition, development, and rehabilitation of Commonwealth-owned historic sites and museums and to provide grants to nonprofit organizations and public agencies for the planning, acquisition, and rehabilitation of publicly accessible historic sites listed in or eligible for the National Register of Historic Places.

Act 1993-50 did not establish minimum or maximum funding for individual grants. It did allow agencies affected by the act to promulgate rules and regulations that are necessary to carry out the purposes of the act. Although PHMC did not develop regulations for the act, it did develop internal guidelines. Guidelines for the FY 2011-12 program developed by PHMC established the minimum award at \$5,000 and the maximum award at \$25,000, with a 50/50 match required. We did not have access to guidelines for earlier fiscal years to review so we could not determine whether different minimum and maximum awards were allowed in earlier years. PHMC provided us with a list of all grants it issued in FY 2005-06 through FY 2011-12. A review of these grants found that of 130 Keystone Preservation Grant applications funded, 101 (78 percent) were for more than \$25,000.

## **PA Council on the Arts and DCED Grants Making Processes**

As we reviewed both the PCA's and DCED's grant making process and requirements, we determined that there are several aspects of what each of them do that, if utilized, could enhance PHMC's future programs, if funding is restored.

***Pennsylvania Council on the Arts***

1. *Responsive Funding System (RFS)*: The PCA has initiated an innovative approach to the allocation of state arts funds that has received national recognition. PCA's funding formula incorporates past funding history, rolling average fiscal size, and past performance assessment scores to assist the agency's governing council in making policy-based funding decisions. In 2004, the Pennsylvania Council on the Arts was named among Government's "Best and Brightest" when its Responsive Funding System was named one of the 50 "most creative, forward thinking, results-driven government programs at the state, local, tribal and federal levels" in the *Innovations in American Government Awards* made by Harvard University's John F. Kennedy School of Government and the Council for Excellence in Government.
2. *The Pennsylvania Cultural Data Project (CDP)*: The PCA, in partnership with several Pennsylvania private arts and cultural funders, has also developed, implemented, and oversees the Cultural Data Project (CDP). Now in its eighth year of operations with close to 1,800 participants, the CDP is a collaborative data collection and reporting tool that enables applicants to the PCA and other funding organizations to submit data only once for use by all the funders, thereby improving efficiency and increasing the quality and reliability of information gathered. The CDP collects financial data from audits to help assure accuracy of the data and provides interactive instructions, online training, error checking, and a full-time help desk. The CDP improves efficiency, increases the quality and reliability of information gathered, and is an increasingly valuable tool for applicants in analyzing their own data through its automated report functions. The PCA anticipates funders across the nation will adopt the CDP as a means of receiving data from their applicants. This coming year the PA CDP will transition to a free-standing nonprofit supporting more than 50 jobs in Pennsylvania.

Through PACDP, Pennsylvania arts and cultural organizations now have access to over 70 custom reports at no cost. These reports allow users to generate tables and graphs; analyze organizational trends over a span of years; compare their data to others by arts discipline, budget size, and other categories; and/or create custom reports. Pennsylvania has 1,667 users, and those users have run over 14,000 reports for a variety of analytic and planning purposes.

Additional funders across the nation are adopting the common data form as a means of receiving data from their applicants—thereby establishing a



new national standard and increasing the value of the database for non-profit arts industry comparables. PCA notes that public and private funders in 10 other states have adopted the CDP, and by 2014, it is projected that 22 states will be using the CDP.

3. *Guided Regional Partnerships:* PCA has adopted a strategy of decentralizing its grants by using its regional partners to assist in administering its grants. This has allowed the PCA to more than double the number of grantees while decreasing its internal processing by 66 percent. In 1993, the agency funded a total of 551 arts organizations, projects and programs. In 2010, PCA reported this number was over 1,200, with far greater service to formerly underserved regions across the Commonwealth. PCA believes these regional partnerships allow it to fund more arts activities in more places while still maintaining accountability and oversight over the grants process.
4. *Citizen Participation:* The PCA's partnerships have allowed greater citizen involvement in the agency's decision-making process. In addition to the approximately 90 panelists who reviewed applications in Harrisburg, 140 individuals from the local communities serve on PPA panels, representing the arts, education, human services, the media, and local government. The regional partnership strategy has expanded the public's understanding of state government and increased participation in the planning process. The PCA has particularly encouraged and received expanded input from rural populations.

## **DCED**

There are several aspects of the grant process utilized by DCED we believe worth noting. Due to the Commonwealth's drive to be a top tourism destination all grant recipients must include the Commonwealth's branded logo that includes a link to the state's tourism web site [visitPA.com](http://visitPA.com) on all promotional and marketing materials. Successful applicants are also required to have a direct link to [visitPA.com](http://visitPA.com) on the home page of their website.

In addition, DCED funded grants and tax credits of \$100,000 or more require completion of a project audit and a close out report for those entities receiving under \$100,000. All other state funded contracts require a closeout report be prepared. Organizations that are not compliant with audit or closeout report requirements for prior contracts with DCED are ineligible to receive additional financial assistance from DCED until such audit or closeout report requirements are met. DCED staff review the expenditures in accordance with the program guidelines, if applicable, and the contract language. DCED has the authority to require the grantee to return funds if they were not used in accordance with the guidelines or contract.

## **Survey Results on What Matters to Grant Recipients**

To determine how museums that have received funding from the Commonwealth in the past prioritize criteria for funding if it is restored, we asked museums to rank a list of eleven parameters upon which objective funding decisions could be made. The parameters, which we developed in conjunction with several museum professionals, included size of operating budget, other funding availability, number of days open to visitors, number of visitors, percent of visitors that are children, AAM accreditation status, education/outreach programming, diversity of programming, number of paid professional staff, number of volunteer staff, and expenditures for care of collections. Participants were asked to rank the parameters from 1 (highest priority) to 11 (lowest priority). Table 19 shows the overall results of this selection process, as well as the results for each operating budget category of respondents. The lower the average number, the more important the respondent ranked it as a funding criterion. For example, if all respondents had picked the same parameter as their number one choice, then the overall average for that selection would be 1. If all respondents had selected the same parameter as their lowest priority, the overall average for that parameter would be 11.

Overall, the parameter of education/outreach programming (3.6) was selected by respondents most frequently across all budget categories as being the one that should have the highest priority in making funding decisions, while the parameter of AAM accreditation status (8.9) was picked most frequently as being the least important upon which to base funding decisions. Diversity of programming (4.8) and size of operating budget (4.9) were also selected as being more important funding drivers, while number of paid staff (6.8) and percent of visitors that are children (6.7) were seen overall as not as important to decision-making. Tallies for the remaining parameters, days open to visitors (5.4), number of visitors (5.4), other funding availability (5.6), and collections care (5.7) came out close to the average score of 5.5 for the group, while the number of volunteer staff was slightly above the average score at 6.5.

We also asked survey participants if they believed entities should be eligible to receive funds from multiple state agencies. This scenario is possible for several different types of entities, including art museums and zoos. Choices given were yes, no, and a qualified yes (where the amounts they receive from other state entities are factored in). The majority of respondents (84 percent for art museums and 77 percent for zoos) either answered yes or a qualified yes to this question, indicating they believed museums should be allowed to receive funds from more than one state agency.

Table 19

**Priorities for Restored State Funding**

Operating Budget Size	Size of Operating Budget	Other Funding Availability	Number of Days Open for Visitors	Number of Visitors	Percent of Visitors That Are Children	AAM Accreditation Status	Education/Outreach Programs	Diversity of Programming	Number of Paid Professional Staff	Number of Volunteer Staff	Expenditures for Care of Collections
≤ \$25,000	6.9	3.7	5.4	4.8	7.4	10.6	4.3	5.6	8.5	4.4	3.7
\$25,001 to \$99,999	4.1	4.5	6.1	6.7	6.7	10.5	3.6	6.7	6.0	5.9	4.5
\$100,000 to \$249,999	4.4	3.7	8.3	8.4	7.8	10.1	4.7	4.2	7.6	5.0	5.4
\$250,000 to \$999,999	3.9	7.0	3.8	4.2	6.5	9.3	3.5	4.4	5.9	7.8	7.7
\$1,000,000 to \$4,999,999	5.7	7.4	4.2	4.8	6.5	8.2	2.9	4.3	6.4	8.7	6.7
≥ \$5,000,000	4.5	7.4	4.4	3.2	5.3	4.4	2.5	3.6	6.2	7.4	6.2
Average Across All Budget Categories (Unweighted)	4.9	5.6	5.4	5.4	6.7	8.9	3.6	4.8	6.8	6.5	5.7

Source: Developed by LB&FC staff from answers to LB&FC questionnaire. Priorities ranked from 1 = Most Important to 11 = Least Important.

We also asked survey participants what changes they believe would be beneficial to the methodology that Pennsylvania uses for funding museums, if funding is restored. Choices given were:

- \_\_\_ Dedicated, restricted funding stream
- \_\_\_ Single grant- making cultural entity
- \_\_\_ Multiyear funding commitments
- \_\_\_ Fewer number of state agencies involved
- \_\_\_ Simplification of funding categories
- \_\_\_ A set, prescribed funding formula based on weighted factors
- \_\_\_ Funds distributed proportionately based on operating budget

Respondents could select each of the changes offered; there was no restriction as to the total number they could select. If all respondents (90) had done so, the total number of selections made would have been 630. The total number of selections actually made was 295. Table 20, below, provides the results of this tabulation of individual responses for all potential choices, across all budget categories.

As shown, the methodology selected most frequently (21 percent of the selections made) was “multiyear funding commitments.” Survey results indicated that respondents placed the lowest priority on the methodology “single grant making cultural entity.” Only 9.8 percent of the total 295 selections made were for this change, with the group selecting it the most frequently being those in budget category \$1,000,000 to \$4,999,999. Respondents across all categories also weighed in favorably for the methodologies of a dedicated/restricted account for funding; a simplification of funding categories; and a set, weighted formula for distribution of money.

Our survey results are very much in keeping with the approach currently used by the PCA, which argues that public funding is most effective when the following key elements apply: (a) funds for organizations should be easy to access, (b) funds should be reliable, and (c) organizations should have flexibility in the use of funds. PCA’s Executive Director believes that “reliability might be the unsung yet most important element here, essential for maintaining relationships among organizations and an agency.”

We gave respondents the opportunity to add comments to the changes they would like to see to Pennsylvania’s methodology for funding museums should funding be restored. Many took the opportunity to do so. A sampling of comments made by survey participants related to these topics can be found at Appendix F.

## Accreditation Status as a Funding Factor

Pennsylvania is host to 35 American Association of Museums (AAM) accredited museums, or approximately 3 percent of our museums if using 1200 as the total number in the state. A list of AAM-accredited museums in Pennsylvania can be found at the AAM's website. Some have suggested that AAM accreditation status should be a factor in a new funding formula as it provides assurance that the museum has attained a high standard of professional operational quality. As stated previously, however, this criterion came in last of eleven when survey responses were aggregated. Even those respondents that were AAM-accredited did not always rank that criteria as their first choice upon which funding decisions should be based. This was especially true with those accredited museums that were below the highest operating budget level.

We surveyed several states to assess whether they use AAM accreditation as a factor in their funding decisions. Individual responses (Florida, Indiana, Missouri, Oklahoma, New York and Texas responded) yielded that, like Pennsylvania, most states have relatively few museums that are AAM accredited: 3 percent is fairly typical. Florida's general program support guidelines encourage, but do not require, museums to participate in the AAM Museum Assessment program and/or to pursue or maintain national accreditation through the AAM and AZA. No state, however, requires accreditation to qualify for state funding.

The only state that reported giving any special advantage to accredited museums was Oklahoma. There, the advantage which those museums hold is that they are exempted from paying sales tax on any purchases they make and from remitting sales tax charged on tickets they sell (so long as the equivalent amount is still collected, but utilized for institution specific debt service). Unsuccessful attempts have been made to remove this exemption or have it applicable to all museums.

Using AAM accreditation status as a funding factor is problematic in that until recently the AAM accreditation process has been too cumbersome for most museums to even consider it. Acknowledging that, the AAM, which also recently changed their name to the American Alliance of Museums, has reorganized and restructured its accreditation program. With the introduction of a "continuum of excellence" process with various levels of participation that lead to accreditation, they are hoping to encourage more museums to begin the process. The steps in the process, which now can be completed online, include the pledge of excellence, core documents verification, Museum Assessment Program (MAP) and finally, accreditation. The pledge of excellence and the core documents verification promote professionalism and offer recognition for museums commitment to the process. The MAP helps small and mid-sized museums through self-study and site visit.

Table 20

**Changes to State Methodology for Funding Museums**  
(Responses Received)

Operating Budget Size	Dedicated, Restricted Funding Stream	Single Grant-making Cultural Entity	Multyear Funding Commitments	Fewer Number of State Agencies Involved	Simplification of Funding Categories	A Set, Prescribed Funding Formula Based on Weighted Factors	Funds Distributed Based on Operating Budget
≤ \$25,000	3	1	4	4	4	1	1
\$25,001 to \$99,999	7	4	9	8	11	7	7
\$100,000 to \$249,999	2	2	5	2	5	1	2
\$250,000 to \$999,999	11	5	15	6	7	13	6
\$1,000,000 to \$4,999,999	17	13	20	11	14	13	10
≥ \$5,000,000	10	4	9	2	5	10	4
<b>Total</b>	50	29	62	33	46	45	30
<b>Percent of Total Received</b>	16.9%	9.8%	21.0%	11.2%	15.6%	15.2%	10.2%
<b>Rank</b>	2	7	1	5	3	4	8

Source: Created by LB&FC staff with survey of museum funding recipients results.

The AAM believes the streamlined, online accreditation process will take about 50 percent less time to complete, especially for those that have already undertaken accreditation through other professional organizations due to collaborative efforts. In addition, the Alliance will be phasing in changes to the accreditation fees to make them more affordable and aligned with the new membership structure, effective with the 2014 accreditation billing cycle.

## **System Scenarios: One Agency vs. Many**

As presented in Chapter 2, Pennsylvania's system of providing state support to cultural activities has been somewhat disjointed, with funding provided through three different state agencies and various separate line item appropriations.

One national study, released in 2008, profiles Pennsylvania, as well as seven other states, regarding several factors including a portrait of the state structure for delivering cultural services, including museum services, to the public.<sup>3</sup> According to this analysis, which was based on interviews with staff at various Commonwealth state government departments and commissions, Pennsylvania has a low level of public cultural sector integration. Those interviewed commented that Pennsylvania's public cultural agencies are not coordinated and do not share cultural planning. Funding streams are not concentrated in cultural agencies but are spread across many departments and offices of state government.

Respondents commented that the two largest public cultural sector agencies—the Historical and Museum Commission and the Council on the Arts—do not coordinate their efforts. Lack of communication between these two agencies was attributed to tension between local institutions such as county historical societies, which are substantially supported by the public sector, and large, high-profile, urban institutions supported by philanthropy and the private, nonprofit sector. Interview respondents suggest that the large, urban institutions with knowledgeable, well-connected board members and supporters wield much of the political power that leverages state dollars that go to museums. It was concluded that the PHMC programs, which balance these earmarks and line items with dollars that are spread more equitably across the state, are portrayed as politically necessary, rather than cooperatively planned, funding programs.

Because of the disjointed nature of Commonwealth funding, suggestions have been made that Pennsylvania consolidate funding for the arts, including museums and historical organizations, within one cultural umbrella agency. In July 2012, the PA Federation of Museums sought input from states on this issue. Several states, Arkansas, Florida, Indiana, Missouri, Nevada, New Mexico, New York, Oklahoma, Texas, Utah and Virginia responded. Information from them showed that about 2/3s (7 of the 11) replied that they have a multiple agency system of funding that is

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<sup>3</sup> Institute of Museum and Library Services, *Exhibiting Public Value: Government Funding for Museums in the United States*, December 2008, p.109-116.

similar to Pennsylvania's current system. The remaining 1/3, Florida, Nevada, New Mexico and Utah, have consolidated their administration of programs for the arts, historical and cultural activities within one state agency.

Other states that have “one channel” for arts funding—structures that encompass both heritage/history/museums and the arts include Arkansas, New Hampshire, Iowa, Wyoming, Kentucky, North Carolina, Louisiana, and West Virginia. Three of these states (Louisiana, North Carolina, and Wyoming) have their arts and museum structures contained within larger government structures that also include other functions. Three states, North Carolina, Louisiana and Wyoming, have departments are cabinet-level structures, with heads that are cabinet secretaries. This is much like the “ministry model” utilized in the United Kingdom, the head of which is the “arts minister.”

According to the National Assembly of State Arts Agencies, when analyses have been run to examine differing factors that affect funding for arts and culture (including revenue sources, structure, etc.), government structure(s) has not been identified as a significant factor. Instead, numerous sources identify three factors that are significant: (1) effectiveness for citizens and organizations, (2) access within state government, and (3) cooperation among the departments/divisions that deal with arts and culture.<sup>4</sup>

Kelly Barsdate, a senior staff person at NASAA, states,

When it comes to state councils or departments for the arts, museums and humanities, any structure can work, it's all about advocacy and access. You need to have access to the people who make decisions about your money and you need to organize yourself (have a mobilized advocacy network) so that people with power will be willing to take your calls.

The structure doesn't deliver resources. Structure isn't destiny - you can have a really efficient, unified department, a really efficient group of departments, or you can have a really efficient independent agency - it doesn't have anything to do with value to the public. The thing that makes the difference is whether you are doing worthwhile work for the public - your public value methods must be clear.

Given the logistic and legislative challenges that might be involved in creating “one channel” for funding in Pennsylvania, greater cooperation would appear to be the key to creating an environment where existing agencies can work together more cohesively to serve arts and cultural organizations and their communities. We

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<sup>4</sup> National Assembly of State Arts Agencies information provided to the LBFC by the Greater Philadelphia Cultural Alliance.



were informed that Maine is a good example of inter-agency cooperation in that the state has four departments/divisions (Maine Arts Commission, Maine Office of Tourism, Maine Humanities Council, and Maine Historic Preservation Commission) that have reportedly worked well together over the last 15 years.

## **Future Funding Considerations**

Neither PHMC nor DCED had particular knowledge of other states programs for funding museums or their methods of allocating funds to non-state-owned museums. We did however find several other state's programs that have attributes and processes that we believe are worth exploring. Please see Appendix G for a description of several states' museum funding programs.

We also asked both PHMC and DCED about the parameters/criteria they believe would be the most important to consider in the development of a more standardized approach to museum funding, e.g., operational size (collections, building space, budget), relative budget strength, accreditation, local match requirements, staffing (both professional and volunteer), number of visitors, accessibility, and performance (outcomes) measures.

PHMC responded that they believe that, in the present economy, the most needed and most beneficial funding for museums is unrestricted general operating support. They also believe that budget and collections size, number of visitors served, accessibility, and regional distribution should be important criteria and that funds should be allocated by size and/or geographic tiers to assure an equitable distribution. They support the concept of performance evaluation criteria, but only if adequate funds are provided to support the staff and peer review expenses that such evaluation would require.

DCED, when asked about the future of museum funding in Pennsylvania, responded that they believe that the Commonwealth needs to continue to develop ways for the private sector to support museums through avenues such as the Neighborhood Assistance Program tax credits. Where museums are eligible for DCED programs, they believe that the parameters we cited could also prove useful in awarding funds.

In earlier years of the program, PHMC evaluated museum grant applications utilizing a peer review committee, and awards were based a tier ranking system with evaluation of applications and rankings within tiers. Applications would be divided into one of three tiers based upon annual operating budget and ranked based on the evaluation criteria information provided in their applications. All of those applicants in tiers would be evaluated and ranked within the tiers based by a peer review panel on 10 evaluation criteria:

- evidence of planning by the museum staff and board,
- level of visitation and impact on various types of audiences,
- excellence of the collections and care of collections,
- quality, type and extent of the exhibition programs,
- diversity of education programs including outreach efforts,
- diversity, quality and qualifications of the staff,
- degree to which the museum partners with and mentors others,
- impact of the—museum in the community the county and the region,
- financial strength of the museum and,
- quality of the presentation.

Those rankings would then be tiered into award levels where the top-ranked applicants would receive 77 percent of their request, the middle-ranked would receive 57 percent of their request, and the lowest level would receive 27 percent of their request. Due to reductions in staff levels and budget, PHMC reported it was not possible to continue peer review panels. There were also concerns that the evaluation process was not consistent and resulted in a wide disparity in funding awards for very similar organizations. A decision was made to eliminate the tiered review process and develop a straight formula for all eligible applicants beginning in 2009. The formula was merely a straight percentage formula of eligible requested grant amount, prorated against the budget allocation provided for the program.

### **Funding Formula for General Operating Assistance Based on Survey Responses**

As previously discussed, Table 19 on page 59, ranks, in order of importance, 11 priorities that respondents representing 90 different museums and historical societies felt were important to consider if state funding is restored. The top six priorities were very similar to the ones that PHMC used previously in determining museum assistance awards:

- Education/Outreach Programs.
- Diversity of Programming.
- Size of Operating Budget.
- Number of Days Open for Visitors.
- Number of Visitors.
- Other Funding Availability.

A performance-based formula that weights these categories in a determination of which organizations have better programs could help ensure any available

state funds go to the most worthy recipients. It would be important to recognize and to build in to any funding formula that museums are different in their operating budgets, overall capabilities, and outreach potential to their community. Just because a museum has a small operating budget does not mean that it is not important to its community. According to William Hosely, principal of Terra Firma and former director of the New Haven Museum,

Small museums deliver the most return on investment and often have no access to foundations, public agencies or municipal support - but endure despite that - against considerable odds. Above and beyond the visitors served and the lives directly touched - they preserve about half of our nation's cultural patrimony - a job of value in and of itself. I never visit a small museum but that I discover extraordinary things - and not, infrequently, innovative ways of presenting things - maybe not designed to the hilt or laden with interactives - but compelling, effective, imaginative.

### **Creative Funding Programs Used by Others**

As reported previously, state appropriations to art agencies have declined 42 percent during the last decade. In part, this is because state governments have reported annual shortfalls of more than \$100 billion for four years in a row.<sup>5</sup> According to the president of the Small Museum Association, headquartered in Washington, D.C., “the largest problem of many of the association's 500-plus members is that they are reliant on funding from a municipal, county or state governmental agency that itself was slashing its budget.”<sup>6</sup> Because many museums anticipated, at the outset, that funding provided by state and local agencies was going to get worse before it got better, they have taken steps to reduce costs and enhance revenue. These steps include: offering additional free days to encourage visits, staying open longer, reducing or eliminating travel exhibits, trying to market themselves better via the Internet, opening Facebook and Twitter accounts to try to reach a younger audience, providing no raises, reducing medical benefits, not filling vacant positions, and reducing paid staff.

According to the National Assembly of State Arts Agencies, some states have enacted funding methods other than through their General Funds to continue to provide a level of public support for their arts programs. As of FY 2012, a majority of states (29) have some additional or alternative funding mechanism. This has increased from only 10 states to have such mechanisms in FY 2003. However, in 2012, only 10 states raised more than 50 percent of their arts funding from one of these methods (please see Table 21 below for specifics), and only four states (Minnesota, Missouri, New Jersey and Tennessee) raised more than \$5 million.

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<sup>5</sup> *State Arts Agencies in the FY 2012 Legislative Session, Grantmakers in the Arts*, Volume 22, No. 3, Fall 2011, p.11.

<sup>6</sup> *How do Museums Pay for Themselves These Days*, HuffPost Arts & Culture, September 7, 2012.

Table 21

**State Arts Agencies Receiving at Least 50 Percent of State Funding From Supplemental Funding Mechanisms**  
(FY 2012)

<u>State</u>	<u>Funding Mechanism</u>	<u>FY 2012 Funds to SAA</u>	<u>Mechanism's % of Total State Funds to SAA</u>
Arizona .....	Business filing fees	\$1,380,000	100
California .....	License plates	\$2,831,000	72
Colorado .....	Gaming revenue	\$1,200,268	53
Minnesota .....	Portion of state sales tax	\$22,167,000	75
Missouri.....	Entertainers and athletes tax	\$7,000,000	100
New Jersey .....	Hotel/Motel tax	\$16,000,000	98
South Dakota ...	Portion of tourism tax	\$668,509	100
Tennessee .....	License plates	\$6,208,100	75
Texas .....	Interest from cultural trust and license plates	\$1,321,157	52
West Virginia....	Gaming revenue	\$1,076,650	55

Source: *State Arts Agency Supplemental Funding Strategies*, State Policy Briefs, National Assembly of State Arts Agencies, 2012, p.3.

As shown in the table, these states use a wide range of ways to support the continued work of their arts agencies. Exhibit 2 shows those states which employed different state funding mechanisms to support their agencies in FY 2012.

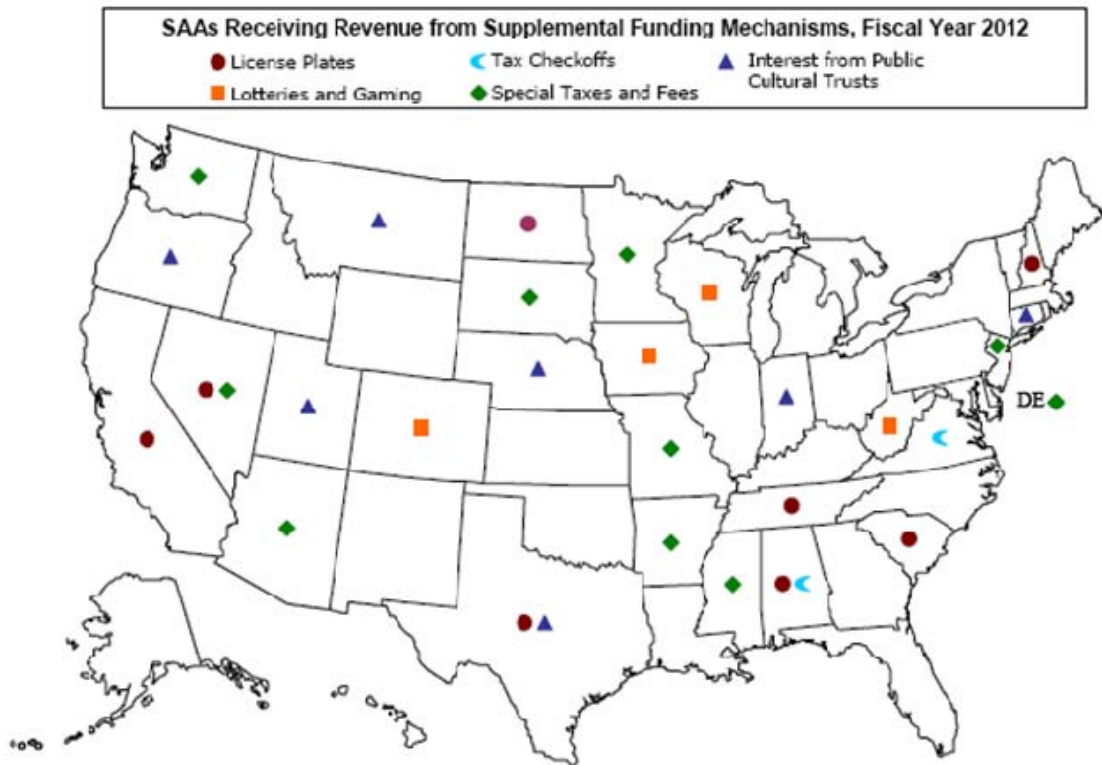
The types of funding used by states to support the arts included:

- 10 state arts agencies received revenues from dedicated taxes or fees. Such revenue could be generated from hotel/motel fees; a percentage of state sales tax; a conservation tax; corporate filing fees; and a tax on out-of-state entertainers and athletes. Admissions tax programs, such as adding an extra fee to enter museums, sporting events, parks and performances, are another form of public arts funding.
- Many states have taken steps to legalize gambling as a means of boosting state revenue, and this money has helped fund SAAs in four states.
- Some states promote the arts with special license plates and use the associated fees to fund the agencies, a cultural endowment or arts organizations in the state. Among the 17 states currently involved in such programs, specialty plate revenue is an important source of agency funding in only two states, California and Tennessee.
- Two states (Alabama and Virginia) currently receive modest amounts of funds from income tax check-offs, which permit state residents to earmark dollars for the SAA from their state income tax return.

- Seven states successfully passed state-level bond issues related to the arts, usually associated with capital improvement programs for cultural facilities. These mechanisms typically are enacted for a limited duration to achieve specific policy goals.
- Statewide trusts to fund the arts exist in 18 states, but are actively providing funding in only seven states. Interest proceeds are used to support the endowments of local arts groups, to fund State Arts Agency’s grants, or for arts education programs. Trusts are created using a mixture of public funds and private contributions. Some trust endowments are funded through special state tax mechanisms, such as Montana’s Coal Extraction Tax. Other trusts incentivize private contributions to arts organizations through state tax credits, as in Oregon. If you have tax liability in Oregon you can claim the credit—up to \$500 for individuals, \$1,000 for couples filing jointly, and \$2,500 for corporations.

Exhibit 2

**State Arts Agencies Supplemental Funding Strategies**



Note: This map reflects legislative vehicles only (not privately held trusts or other nonstate funding mechanisms). It also reflects only those public mechanisms yielding actual revenues in FY2012; additional mechanisms are present in some states that do not currently generate funds for the state arts agency. Contact NASAA for the complete revenue details for each state arts agency.

Source: *State Arts Agency Supplemental Funding Strategies*, State Policy Briefs, National Assembly of State Arts Agencies, 2012, p.2.

## Steps Undertaken by States and/or Municipalities to Raise Funds for Museums

In at least one state, funding for a museum was raised as a result of an increase in taxes approved by the voters in three counties. An August 7, 2012, initiative asked voters in three counties surrounding the City of Detroit to agree to a tax that would keep the Detroit Institute of Arts from cutting back on programming and hours open to the public. The operating budget of the Detroit Institute of Arts had fallen from \$34 million in fiscal 2008 to only \$24 million in the current fiscal year. Voters were asked to increase the property tax by an average of \$20 per year for a home worth \$200,000 in order to raise an estimated \$23 million annually over a 10-year period. The initiative passed in each county. To encourage passage, the museum promised free admission for residents of any county that approved the initiative. Without the tax assistance the institution would have had to close some of its galleries, reduce its hours and be open only two or three days per week.

In November 2008, the residents of the State of Minnesota passed the Clean Water, Land, and Legacy Amendment to the Minnesota Constitution. As a result, 3/8 of 1 percent of the state's sales tax over the following 25 years is dedicated to:

- 33 percent to a clean water fund,
- 33 percent to an outdoor heritage fund,
- 14.25 percent to a parks and trails fund, and
- 19.75 percent to an arts and cultural heritage fund.

Proceeds from the arts and cultural heritage fund “may be spent only on arts, arts education and arts access and to preserve Minnesota’s history and cultural heritage.”<sup>7</sup> Over 25 years the amendment is expected to raise at least \$250 million per year. However, in 2010 the state appropriation for the Minnesota State Arts Board included only \$21.6 million in funds received through the Legacy Amendment.<sup>8</sup> The legislature designated a significant portion of the initial funds raised for the Minnesota State Arts Board and eleven regional arts councils.

Every year, nearly eight million people visit ten Chicago, Illinois institutions that comprise Museums in the Park (MIP). MIP is a partnership among ten museums whose collections and history are varied. The funding for these museums comes from one local source which is the single largest source of public dollars for museums in the state. The Chicago Park District (CPD), an independent tax authority with annual operating revenues in excess of \$390 million, distributes a portion of the funds it collects to the museums, one of which is an aquarium, and to the Lincoln Park Zoo. While all of the museums are located on CPD land, none are

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<sup>7</sup> *Clean Water, Land & legacy Amendment*, Minnesota’s Arts and Culture Heritage Fund

<sup>8</sup> States ranked by funding for the Arts, ArtBistro.com, September 9, 2012.

owned or operated by local, state, or federal governments, and their collections are not subject to any government oversight. The CPD provides operating subsidies to the ten museums out of its property tax levy and 7.53 percent of Personal Property Replacement Tax (PPRT) as mandated by state law.<sup>9</sup> For 2012, \$259 million is available for CPD's operating budget. Of that amount, \$30.6 million is budgeted for the aquarium and museums and \$5.6 million for the zoo.

To support their mission, museums might decide to sell some of their collection. The Akron Art Museum auctioned a vintage print for \$2.5 million in May 2012 through a New York City auction firm. The money raised from the sale went into the acquisitions endowment to add to the museum's collection. With the sale, the endowment fund grew by nearly \$4 million, which at a yearly interest of 5 percent should yield about \$150,000 to \$200,000 for acquisitions. The endowment is restricted so that the museum cannot use the funds for maintenance or repairs.

The Arizona State Legislature eliminated all General Fund appropriation received by the Arts Commission in FY 2012. For the first time in 45 years, the Arts Commission will not receive a General Fund appropriation. However, the Commission still has monies available through the Arizona Arts Trust Fund. The Fund was established by the legislature in 1989 as a supplemental statewide funding source for the arts.<sup>10</sup> The Arts Commission utilizes the Arizona Arts Trust Fund to match funding provided through federal arts grants.

The Arts and Science Council (ASC), based in Charlotte, North Carolina, receives significant funding from state and municipal tax revenue and from an aggressive public fundraising appeal. There does not seem to have been any large-scale effort in other states analogous to Charlotte, NC's Arts and Science Council, which is funded with significant funds from both tax revenue and a public fundraising appeal. Charlotte's model is often lauded and a lack of duplication may indicate how difficult it is to assemble public contributions, business leaders' support, and support from government simultaneously.

The ASC was founded in 1958 to run a consolidated United Arts Fund drive and serve as a clearing house for cultural events. It will invest \$12.5 million in Charlotte-Mecklenburg's cultural community for FY 2012-13. The public portion of funds was received from the City of Charlotte, Mecklenburg County, the public school district, and from other municipalities in Mecklenburg County. Private funds were raised through the Council's Make Your Mark campaign. A total of \$8.3 million was raised through the campaign, with contributions of approximately \$3.5 million from corporate and foundation giving and \$4.7 million from individual

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<sup>9</sup> PPRT is a tax on the net income of corporations that is collected at the state level and distributed to municipalities and districts statewide according to a formula based on the distribution of personal property tax collection.

<sup>10</sup> The State Legislature in 1989 established the Arizona Arts Trust Fund by adding fifteen dollars to the annual corporate filing fee.

giving, chiefly through workplace giving. Direct investments of \$11.9 million will be allocated in direct funding to arts, science and history/heritage organizations, cultural neighborhood projects and artists. Indirect funding, totaling \$519,900, will support capacity building and training efforts for cultural organizations and artists that include board development and management to audience development.

## **National Historic Trust Model**

The National Trust for Historic Preservation, a private funded nonprofit organization, was created in 1949 when President Truman signed legislation creating the program. The primary purpose of the National Trust is the acquisition and administration of historic sites. In 1951, the National Trust assumed responsibility for its first historic property in Virginia. Twenty-six other historic sites have become National Trust Historic Sites in the years since.<sup>11</sup> In 1966, the National Historic Preservation Act provided federal funding support for the Trust's work. After 30 years however, this federal appropriation was terminated. Today the Trust relies on private-sector contributions for support. One of the important missions of the National Trust is outreach programs. The Preservation Services Fund was created in 1969 to provide financial assistance to local preservation projects. The Trust has a field office that is located in the City of Philadelphia and the group, Preservation Pennsylvania, is currently designated as the official state affiliate for National Historic Trust activities in Pennsylvania. Preservation Pennsylvania is a 501 (c) (3) private, nonprofit membership organization with a statewide mission to protect and preserve Pennsylvania's irreplaceable historic places.

In FY 2011, the National Trust reported operating revenues of \$52.5 million. Approximately 57 percent of revenue came from contributions. Another 20 percent came from the sale of contract services, the sale of merchandise and advertising. Thirteen percent was royalty income, rental income and miscellaneous income. Nine percent was admission money received from visitors to historic sites and for admission to special events. Three percent of revenue came from membership dues and 2 percent from grants.<sup>12</sup>

The Trust's expenses totaled \$58.4 million in FY 2011, or \$5.9 million more than revenue brought in. The majority of expenditures (36 percent) went toward preservation services. Another 27 percent was directed toward historic sites. Ten percent was used for education, 9 percent for fundraising, 9 percent for administration, 5 percent on publications, and 4 percent for membership outreach.

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<sup>11</sup> The Benjamin Chew House in Philadelphia is the only property in Pennsylvania operated by the [National Trust for Historic Preservation](#).

<sup>12</sup> Four percent of revenue was lost through poor investment returns.



## PHMC's Pennsylvania Heritage Society

The Commonwealth already has granted PHMC the statutory authority to establish a trust for the support of the work of the Commission and its properties. Pennsylvania statute (Title 37) known as The History Code gives PHMC the power to establish a trust from gifts and bequests made to the Commonwealth. Specifically the statute directs PHMC to, "Accept, on behalf of the Commonwealth, gifts and bequests, including securities, for the endowment of its work in accordance with the instructions of the donors and in conjunction with the Governor and State Treasurer, who shall, together with the members of the commission, constitute a body of trustees for the care of these funds. These trustees shall invest the funds in bonds of the Commonwealth or any of its political subdivisions and employ the interest and income from these investments for the purposes of the commission or apply these funds to the uses specified by the respective donors of the funds."<sup>13</sup>

According to PHMC staff, the Commission is exploring having the Pennsylvania Heritage Society, whose name has recently been changed to the Pennsylvania Heritage Foundation, a non-profit organization supporting the Commission and its work, to undertake such fundraising activities. The Heritage Society, founded in 1983, has not been utilized as a fundraising arm of the Commission up to this point. However, PHMC staff believes it would be appropriate for them to become active in fundraising as one possible way to support the mission of the agency and provide much needed funding to provide upkeep of state-owned museums and properties.

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<sup>13</sup> Title 37, §302(1).



## **VI. Appendices**

# APPENDIX A

PRINTER'S NO. 2015

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## THE GENERAL ASSEMBLY OF PENNSYLVANIA

# SENATE RESOLUTION

No. 268

Session of  
2012

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INTRODUCED BY PIPPY, LEACH, RAFFERTY, HUGHES, TARTAGLIONE,  
BREWSTER, STACK, SCARNATI, FONTANA, ARGALL, DINNIMAN,  
SCHWANK, COSTA AND FERLO, MARCH 16, 2012

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REFERRED TO STATE GOVERNMENT, MARCH 16, 2012

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### A RESOLUTION

Directing the Legislative Budget and Finance Committee to conduct a study of the museums in this Commonwealth and research and evaluate how funding and resources are allocated for this Commonwealth's museums.

WHEREAS, This Commonwealth's museums are vital players in the economic and social prosperity of this Commonwealth; and

WHEREAS, This Commonwealth's museums provide valuable educational experience to citizens of all ages; and

WHEREAS, This Commonwealth's museums provide significant economic impact and tourism dollars; and

WHEREAS, This Commonwealth's museums help preserve the long history of Pennsylvania, this nation and the world; and

WHEREAS, This Commonwealth's museums help educate young and old alike on a variety of subjects from fine art to Pennsylvania history to sports history; and

WHEREAS, This Commonwealth's museums are a low-cost, family friendly cultural attraction; and

WHEREAS, The Federal Government defines a museum as "a public or private nonprofit agency or institution organized on a permanent basis for essentially education or aesthetic purposes, which, utilizing a professional staff, owns or utilizes tangible objects, cares for them, and exhibits them on a regular basis"; and

## Appendix A (Continued)

WHEREAS, The Commonwealth funds its museums in a variety of ways including the Museum Assistance Grants, Nonpreferred Appropriations and individual line items within the State operating budget; and

WHEREAS, There has been a decline in State funding to this Commonwealth's museums in recent years; and

WHEREAS, The unpredictable and varied funding for this Commonwealth's museums has been a burden to many of the museums; and

WHEREAS, The temporary or permanent loss of any of this Commonwealth's museums due to a decline in State funding will impact the economic and cultural climate of its surrounding community; therefore be it

RESOLVED, That the Legislative Budget and Finance Committee conduct a study of this Commonwealth's museums, measuring funding and resources allocated to the museums; and be it further

RESOLVED, That the study should include an analysis of the current museum funding; and be it further

RESOLVED, That the Legislative Budget and Finance Committee provide recommendations necessary or desirable to improve the funding of this Commonwealth's valued museums; and be it further

RESOLVED, That the Legislative Budget and Finance Committee report to the Senate the result of its study and recommendations regarding the status of funding of this Commonwealth's museums and file the report with the Chief Clerk of the Senate no later than 90 days after adoption of this resolution.

## APPENDIX B

### Arts Funding Allocation by States, Per Capita 2010

<u>State</u>	<u>2010 Population</u>	<u>Dollars Per Capita</u>
District of Columbia .....	6,578,005	11.11
Minnesota .....	30,274,000	5.80
Hawaii .....	6,160,022	4.78
New York .....	52,032,000	2.67
Maryland .....	13,312,093	2.36
Missouri.....	13,580,000	2.30
Wyoming .....	1,143,829	2.40
Delaware.....	1,740,000	1.99
New Jersey .....	17,047,000	1.96
Rhode Island.....	1,983,984	1.89
Connecticut .....	6,449,519	1.84
Massachusetts .....	9,692,945	1.49
West Virginia.....	2,500,683	1.38
Oklahoma.....	4,914,204	1.35
Tennessee .....	8,382,800	1.35
Louisiana.....	5,579,340	1.26
North Dakota.....	684,367	1.07
Utah .....	2,911,000	1.06
Alaska .....	684,400	1.00
Alabama.....	4,625,625	0.99
New Mexico .....	1,958,150	0.99
Pennsylvania.....	11,992,000	0.96
North Carolina.....	8,678,481	0.94
Nebraska.....	1,488,548	0.83
South Dakota .....	668,509	0.83
Vermont .....	507,607	0.82
Kentucky .....	3,284,900	0.77
Arkansas .....	2,121,058	0.74
Mississippi.....	1,907,411	0.65
Illinois .....	7,552,800	0.59
South Carolina .....	2,583,142	0.58

## Appendix B (Continued)

<u>State</u>	<u>2010 Population</u>	<u>Dollars Per Capita</u>
Ohio.....	6,594,290	0.57
Virginia .....	4,420,804	0.57
Oregon .....	2,087,772	0.55
Maine .....	722,514	0.55
Idaho .....	787,600	0.52
Indiana .....	3,042,250	0.48
Montana .....	460,351	0.48
New Hampshire.....	602,787	0.46
Kansas .....	1,261,522	0.45
Wisconsin.....	2,417,700	0.43
Nevada.....	1,102,406	0.42
Iowa.....	1,023,712	0.34
Texas .....	7,745,294	0.32
Washington .....	1,876,000	0.29
Georgia .....	2,595,127	0.27
Colorado.....	1,200,026	0.24
Arizona .....	956,100	0.15
Michigan.....	1,417,400	0.14
Florida .....	2,500,000	0.14
California .....	4,300,000	0.12

Source: Artbisto.com - 2010.

## APPENDIX C

### PHMC-defined Museum Assistance Grant Categories

Funding is designed to support a variety of museum, history, archives and historic preservation projects, as well as local governments and nonprofit organizations. The types of grants are:

**Archives and Records Management Grants:** Grants are available in two different amounts to support projects in the categories of Access and Preservation Programs and County Records Improvement Programs. Grant amounts up to and including \$5,000 requires no matching funds and amounts over \$5,000 and up to and including \$15,000 require 50/50 matching funds. The grants are administered on a competitive basis, and the awards are made annually based on a peer review process.

**Collections Management Project Grants:** Grants are available in two different amounts to support projects in the categories of Educational and Interpretive Programs, Exhibit Planning and Design, Management and Conservation. Grant amounts up to and including \$5,000 requires no matching funds and amounts over \$5,000 and up to and including \$15,000 require 50/50 matching funds. The grants are administered on a competitive basis, and the awards are made annually based on a peer review process.

**Education, Public and Local History Grants:** Grants are available in two different amounts to support projects in the categories of Public Programs, Research and Writing and Educational Programs. Grant amounts up to and including \$5,000 requires no matching funds and amounts over \$5,000 and up to and including \$15,000 require 50/50 matching funds. The grants are administered on a competitive basis, and the awards are made annually based on a peer review process.

**General Operating Support Grants for Museums:** Grants require no match and are restricted to museums with annual operating budgets exceeding \$100,000 (excluding capital and in-kind services). Grant awards will not exceed \$150,000 or 10 percent of the museum's most recently completed fiscal year operating budget if less than \$1,500,000. The grants are administered on a non-competitive basis and the awards are made annually based on organizational eligibility. If eligible, a formula system based on a percentage of the museum's most recently completed fiscal year operating budget is followed to determine the grant amount and to ensure proportional award levels for all eligible organization.

**General Operating Support Grants for Official County Historical Societies:** Grants for historical organizations that are certified by their county governments as the official county historical societies for their respective counties. No more than one organization in each county may be so certified. The historical society must receive funds from the county government to assist in paying the operating expenses of the organization. The grant is noncompetitive and requires a 50/50 cash match. Grants will not exceed the amount of money provided by the local county government in support of general operations. The maximum award will not exceed \$10,000.

**Historic Preservation Grants:** Grants available in two different amounts to support projects in the categories of Cultural Resource Surveys, National Register Nominations, Planning and Development Assistance, Educational and Interpretive Programs and Archaeology. Grant amounts up to and including \$5,000 requires no matching funds and amounts over \$5,000 and up to and including \$15,000 require 50/50 matching funds. The grants are administered on a competitive basis and the awards are made annually based on a peer review process.

**Historical Marker Grants:** Grants requiring a cash match (generally 50/50) are available to support the manufacture of approved state historical markers. The Pennsylvania Historical & Museum Commission approves historical marker nominations annually based upon the review of an independent panel of experts. Grants are only available for approved historical markers.



## Appendix C (Continued)

**Organizational Planning and Development Project Grants:** Grants are available in two different amounts to support projects in the categories of increased organizational effectiveness through organizational study, system improvement, planning and analysis. Grant amounts up to and including \$5,000 requires no matching funds and amounts over \$5,000 and up to and including \$15,000 require 50/50 matching funds. The grants are administered on a competitive basis, and the awards are made annually based on a peer review process.

**Statewide Conference Grants:** Grants are awarded as “seed” money to organizations that plan and hold conferences relating to issues concerning the history, museum, historic preservation and cultural communities of Pennsylvania. Applications are accepted and awards are made throughout the year. Matching funds are not required.

**Statewide Organization Grants:** Grants are awarded to organizations that function in a statewide capacity to support and provide programming and training for the history, museum, historic preservation and cultural communities of Pennsylvania. Funding is used for a variety of activities to benefit the operation of these organizations and the programs they administer to benefit their communities. Matching funds are not required.

**Technical Assistance Grants:** Grants are available to assist small organizations in solving problems, increasing professionalism and building capacity funds. The grants are limited to organizations with operating budgets under \$250,000. Matching funds are not required. The grants are administered on a competitive basis, and the awards are made throughout the year based on a peer review process.

Source: Pennsylvania Historical and Museum Commission’s description of Museum Assistance grant program.

# APPENDIX D

Legislative Budget and Finance Committee  
PO Box 8737  
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## State Funding for Museums Survey

Museum/Organization Name: \_\_\_\_\_

Contact/Tel: \_\_\_\_\_

E-mail: \_\_\_\_\_

1. Type of Organization (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Museum: Art                         | <input type="checkbox"/> Museum: Business/Industry, Mfg.      |
| <input type="checkbox"/> Museum: Children/Youth              | <input type="checkbox"/> Museum: History                      |
| <input type="checkbox"/> Museum: Military                    | <input type="checkbox"/> Museum: Natural History/Anthropology |
| <input type="checkbox"/> Museum: Science/Technology          | <input type="checkbox"/> Museum: Transportation/Maritime      |
| <input type="checkbox"/> Historical Society with collections | <input type="checkbox"/> Official County Historical Society   |
| <input type="checkbox"/> Historic House/Site                 | <input type="checkbox"/> Library/Archives                     |
| <input type="checkbox"/> Arboretum/Botanical Garden          | <input type="checkbox"/> Genealogy Organization               |
| <input type="checkbox"/> Aquarium                            | <input type="checkbox"/> Zoological Park                      |
| <input type="checkbox"/> Other (please specify): _____       |   |

2. What size is your organization?

a. Annual operating budget:

- ≤ \$25,000
- \$25,001 to \$99,999
- \$100,000 to \$249,999
- \$250,000 to \$999,999
- \$1,000,000 to \$4,999,999
- ≥ \$5,000,000

b. Number of paid full-time equivalent staff:

- ≤ 2
- 3 to 5
- 6 to 9
- 10 to 15
- ≥ 16

c. Number of volunteer full-time equivalent staff:

- ≤ 2
- 3 to 5
- 6 to 9
- 10 to 15
- ≥ 16

## Appendix D (Continued)

3. a. How many total visitors do you serve annually?

- $\leq 5,000$
- 5,001 to 20,000
- 20,001 to 40,000
- 40,001 to 250,000
- $\geq 250,000$

b. Approximately what percentage of your visitors are children?

- $\leq 5\%$
- 6 to 10%
- 11 to 25%
- 26 to 49%
- $\geq 50\%$

c. Do you have professional “museum education” staff (paid or volunteer)?

- Yes
- No

d. Approximate percentage of visitors participating in formalized outreach/educational programs annually:

- 0-15%
- 16-25%
- 26-49%
- $\geq 50\%$

e. Number of days open per week for visitors:

- $\leq 2.3$  days per week (120 days per year, as per IMLS standards)
- 2.3 to 4 days per week
- 5 to 6 days per week
- 7 days per week

f. How often do you offer a free or “pay what you will” admission day?

- No general admission entrance fee charged
- Weekly
- Monthly
- Quarterly
- Annually
- Never

**Appendix D (Continued)**

4. Please provide, for the last seven fiscal years, how much total revenue your organization received, how much state assistance from any state program you received, and what percentage of your total revenue was attributable to state support. This may have included Museum Assistance General Operating Support Grant monies through PHMC or funding from programs administered by DCED or other state agencies.

	Total Revenue	State Assistance Revenue	Percent of State to Total
FY 2005-06			
FY 2006-07			
FY 2007-08			
FY 2008-09			
FY 2009-10			
FY 2010-11			
FY 2011-12			

5. Please indicate the direct impact that the loss of state funding for museums has had on your organization :

	More	Less	No Change
Paid staff			
Reliance on volunteers			
Hours open to public			
Admission price charged			
Education/outreach programs			
Time spent on fundraising			
Time spent on collections care			
Found new sources of earned income			

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. If state funding for museums is restored, what criteria do you believe should be utilized to prioritize that funding to individual recipients? Please rank them in order of most to least important where 1= most important and 11= least important.

Size of operating budget	_____	Education/outreach programs	_____
Other funding availability	_____	Diversity of programming	_____
Number of days open for visitors	_____	Number of paid professional staff	_____
Number of visitors	_____	Number of volunteer staff	_____
Percent of visitors that are children	_____	Expenditures for care of collections	_____
AAM Accreditation status	_____		



## APPENDIX E

### Comments by Survey Respondents of the Negative Effect of the Loss of State Funds

Annual Operating Budget: ≤ \$25,000	Organization Type
<p>We are an all volunteer organization. Doubtful we can continue operating the museum as we must prioritize use of funds. The building that houses are museum is state owned. We no longer receive funding to operate the building. If funding is restored, state owned properties should be funded first. Larger institutions have many more resources available to them. Giving priority to organizations that have large operating budgets and many visitors and paid staff is not fair to organizations like ours.</p>	<p>Historical Society with Collections Historic House Site Museum: History Official County Historical Society</p>
<b>Annual Operating Budget: ≤ \$25,001 to \$99,000</b>	
<p>We are selling off some of our duplicate resources that we do not need. We stopped paying our executive director. The state needs to reconsider its funding priorities of the cultural and historical entities throughout the state and focus on where the greatest needs are. We are operating on a shoe string budget and will not be able to do so much longer without resorting to less hours and service.</p>	<p>Historical Society with Collections Official County Historical Society Museum: Military</p>
<p>It has been difficult to supplement the loss of state funding. We have had to come up with innovative ways to raise funds. This has caused other areas to suffer, such as collections care and museum general upkeep.</p>	<p>Historical Society with Collections Official County Historical Society Museum: Military</p>
<p>Because of less funding, new programs have not been introduced. The paid staff is working to maintain the status quo. The volunteers and paid staff have increased their hours. We have been able to pay the paid staff with limited funding sources, but we are not bringing in enough for long term survival. If the smaller sites are losing funding and have to shut their doors, how can larger institutions preserve all of the history of those smaller location? We have lost \$10,000 for the past three years of operating money, and no grant monies to replace it.</p>	<p>Historical Society with Collections Official County Historical Society Historic House/Site Museum: History</p>
<p>As a result of the loss of the General Operating Support Grant we have had to dismiss all but our skeleton crew of employees and cut the pay of our director. We have had to rely on what little county funds are available and donations from events and admissions given to us. Even our exhibits have been scaled down because we cannot afford to pay our curator for the extra time for exhibit and program design. Our museum serves as a stepping stone for students and adults to learn about our rich heritage, but because of the state budget cuts we have not been able to achieve this goal. The state budget cuts have denied our organization and other small cultural and historical entities the ability to operate and offer their communities opportunities to experience a sense of pride in their heritage. Instead, the Legislature has decided to larger museums and zoos that have operating budgets far greater than those dependent on the PHMA operations grants. We have had to reduce our History Days program and stalled the creation of our Junior Historian educational programs. These programs give elementary and high school children something to consider and achieve because of the lack of decent community colleges and underdeveloped university programs in our county.</p>	<p>Official County Historical Society Museum: History Historic House/Site</p>

**Appendix E (Continued)**

<p>Loss of funding can often make the project much more costly, due to physical deterioration, planning and restoration.</p>	<p>Historic House/Site</p>
<p>We are unable to continue our summer intern program and have scaled back on our cataloging, repair and storage project. We have also cut back on advertising.</p>	<p>Historical Society with Collections Official County Historical Society Museum: Art; Children; Military; History</p>
<p>It is very difficult to care for the site and provide the same public services with no state support. We are using our own financial resources to pay for care of the state's property and collections. The lack of financial and technical assistance from PHMC has created real problems but also a heightened awareness of financial and site management for our group and openness to the idea of acquiring the historic site from the Commonwealth if the lack of support continues. Our buildings are deteriorating and we have no authority or stream of funding to take care of the problems.</p>	<p>Historic House/Site</p>
<p>Because of the impact of the loss of state funding, we have cut one full time staff member and our summer intern. We were open five days a week and now down to four days and the staff took a 10% cut in pay without an increase in three years. We have had an increase in archives and family history usage because of gas industry researchers, but we are unable to keep up with machine maintenance and upgrading computers. New museum exhibits and the cleaning of cases has been neglected because of staff shortages. We have also eliminated archival products for collection care, books, special exhibits and reduced our Journal of Genealogy and Local History to one edition instead of two. The elimination of all of the Operating Support Grants aided in our day to day operation and how much it is missed and appreciated.</p>	<p>Historical Society with Collections Official County Historical Society</p>
<p><u>Annual Operating Budget: ≤ \$100,000 to \$249,000</u></p>	
<p>Due to restricted funds, employee's compensation is far below others in the same positions. Also, subcontractors work as volunteers because there is no money to pay them. With more funding the museum could be open Sundays, an additional 200 hours per year. With our operating budget, general operating grant funding that would bring in 3% to 4% would make a significant difference in the number and quality of educational programs offered on a yearly basis.</p>	<p>Historic House/Site</p>
<p><u>Annual Operating Budget: ≤ \$250,000 to \$999,000</u></p>	
<p>The PHMC grants have always been a mark of quality museum programs and projects. While the money is extremely important, I have appreciated the challenge to be judged by peers as we apply for grant funding. With the current economic situation, we find that other non-profits and for-profit organizations are competing for our program market. While it may be complimentary to us to be copied, the for-profit groups have the advantage of offering programs for free while we must charge to keep the doors open. PHMC awards have helped to give us a little breathing room between fundraisers.</p>	<p>Historic House/Site</p>

**Appendix E (Continued)**

<p>When our curator left we did not replace him. We are making do with the staff we have to produce exhibits and are doing only critical curatorial work. Residents need to be able to access historic and cultural resources in order to be able to fully appreciate the community in which they live. We are located in an area with a higher than average poverty rate. We try to provide service at the lowest level admission price as possible. A tight budget has forced us to focus on services which directly impact visitor's experience. We have made the difficult decision not to replace our curator and put 3D collections cataloging and curatorial projects on hold.</p>	<p>Museum: History</p>
<p>We have had to reassign position responsibilities to existing staff while eliminating a fulltime director for the museum and a part-time archivist position.</p>	<p>Historic House/Site</p>
<p>We are doing so much more with less funding in order to provide cultural and historic venues and educational programming for our youth, all while conserving and protecting priceless collections. We are competing with the states own historic sites. In fall of 2011 we requested that PHMC assist us by providing marketing opportunities through its web site. They market their sites but not their non-profit partner's sites. It is very rough going to have recently grown so significantly in property holdings, programs, and hours; while we are adjusting to a doubled budget in a severe economic downturn. Being cut off from a constant funding stream hurts.</p>	<p>Historical Society with Collections Historic House/Site Museum: History</p>
<p>Operating support from the state provided us with funds for essential maintenance and preservation of 18<sup>th</sup> century buildings until it was cut. While funding for education and interpretation programs is more readily available from other sources, finding unrestricted support for adequately staffing and maintain our site remains a challenge. Reinstating the funding would provide us a foundation of support and allow us to grow our operations to meet the new realities of a new economy and changing audience bases.</p>	<p>Historic House/Site</p>
<p>Loss of state funds has translated into a reduction of programs and exhibitions. It has meant that full-time staff who left were replaced with part-time staff, volunteers or not at all. Given the economic challenges of this area we have not increased admission price nor have we reduced public hours. Instead we make do with less and live within our means by placing more emphasis on collaborative programs. More time spent on fund raising events, writing grant applications, and making cold calls to potential funders.</p>	<p>Museum: Art; Science/Technology; History; Natural History</p>
<p>Implications are tragic. Members and volunteers dispirited, fewer new programs or exhibits, lower and fewer raises, reduced hours, equipment and collection care unmet, archive donations reduced, increased time and effort focused on fundraising reduces hours for programming, facility repairs postponed even though they are necessary. Difficult financial conditions mean difficult choices in collection care and ability to accept, preserve, conserve and store artifacts. If museums cannot accept these responsibilities, what will happen to artifacts? Museum guests revisit only when new exhibits are excitingly exhibited. No funding means fewer new exhibits, which means fewer guests, staff and volunteers. Without support, how do museums fund in-school programs?</p>	<p>Historical Society with Collections Official County Historical Society Museum: Art; Children; History</p>
<p>The loss of all state funds has hit our museum very hard and has resulted in annual budget trimming, holding open staff positions, restructuring, and raising of membership and admission rates.</p>	<p>Historical Society with Collections Museum: Art; History</p>



**Appendix E (Continued)**

<u>Annual Operating Budget: ≤ \$1,000,000 to \$4,999,999</u>	
<p>The loss of state funding truly hurt our museum. While we were able to maintain public hours, we did so with fewer staff and less outreach. Our single greatest challenge is how to gain more revenue to pay for general operations and support. Grant opportunities are available and we do avail ourselves of funding streams for education, what really is needed is funding for expenses items such as utilities, general maintenance, communication costs, insurance, and other such fixed expenses, which must be paid but generally cannot be gotten from grant sources. The highest need and priority for our institution is for unrestricted revenue to sustain operations. It is difficult to have an education program if funding is not available to help pay for electricity, the heating and cooling of our educational and museum gallery space, communications costs, etc., even if there is a dedicated funding stream to assist in underwriting the salary position</p>	<p>Museum: History; Military</p>
<p>Had to eliminate one full-time position, reduced collection care and education programs and put a greater emphasis on programs that have the potential to earn income. Also reduced student work positions.</p>	<p>Arboretum/Botanical Garden</p>
<p>The loss of state funding has had a significant impact on general operating revenue for the museum. The availability of general operating support from foundations and corporations is always minimal since most are interested in funding special projects. Without the opportunity to apply for some level of state funding, obtaining operating support has been challenging.</p>	<p>Museum: History</p>
<p>Though total operating income varied over the years, general operating support from the state was typically a reliable source of income for about 3% of the operating budget. The complete loss of this support in recent years, coupled with the drops in foundation and individual giving, has been extremely difficult to work around. Our board has come to the conclusion that our budget must be smaller in the future, which will reduce the number of paid staff we employ and the number of programs we can offer to the public. Given the economic impact museums are proven to have in the Commonwealth, the total lack of funding is difficult to understand.</p>	<p>Historic House/Site Museum: Art; History</p>
<p>With the decline and loss in state funding, we have had to cut our speakers program by two thirds. We have had to reduce, eliminate, or find other funding sources for special projects that have been supported by state and federal funding. Our efforts to expand audiences with our television show will be reduced by at least 75%.</p>	<p>Statewide Organization</p>
<p>To capture public attention we offered more programming with less staff using volunteers. Our staff was working in excess of 50 to 60 hours a week to make that happen. We hired a development staff member to make up the gap created by loss of funding. The gap continues to exist although it is smaller than in previous years. Eliminated the exhibit and collections director position, essentially trading core mission activities for fundraising.</p>	<p>Historic House/Site Museum: Art; History; Business; Transportation</p>

**Appendix E (Continued)**

<p>Our exhibition program has been greatly affected by the loss of state funding. We used to install a new, kid friendly interactive exhibit each year with PHMC project grant money. Because of the elimination of the grant, we have had to scale back the frequency of new exhibit installations and have had to do much of the work in-house rather than using a professional designer. We have also had to eliminate or shorten the season of many of our free public programs. Also, several layoffs have occurred over the last couple of years. This past winter the entire full-time staff was forced to work a 32 hour work week as opposed to the typical 40 hour week. Because of the loss of the state grant we cannot hire a fulltime archivist. We need a new HVAC system for the preservation of the historic house and artifacts and for the comfort of staff and visitors. We applied for a planning grant a few years ago and intended to get another grant to help pay for the installation. The process came to a complete standstill when we received a response to our planning grant application that stated that the program was eliminated.</p>	<p>Historic House/Site</p>
<p>Loss of state funding caused increased pressure in paid staff and volunteers to meet the demand. Other staff have left as a result of the increased pressure to provide more services with less staff.</p>	<p>Museum: Children; Natural History</p>
<p>Because of the loss of state funding we have less staff, rely more on volunteers, are open fewer hours, have increased our admission prices, have reduced our education and outreach programs, and are spending more time on fundraising.</p>	<p>Museum: Art</p>
<p><u>Annual Operating Budget: ≤ \$5,000,000 or More</u></p>	
<p>Library and archives hours reduced, staff reductions, no raises, benefit reductions, fewer exhibitions and programs offered. Quality of programs suffered as volunteers attempted to pick up the slack.</p>	<p>Museum: History</p>
<p>As a result of being zeroed out of the state budget we have been forced to make difficult operational decisions to maintain a balanced budget despite the loss of Commonwealth support. In addition to the reduction of services, we have been forced to increase ticket prices and pursue new revenue models which carry additional financial risk. Many of our programming efforts are not in jeopardy.</p>	<p>Museum: Science/Technology</p>
<p>Tourism is critical to Pennsylvania. Lack of funding creates the need to change admission prices and limits the number of people visiting our cultural assets, thereby diminishing dollars spent in our community. Our education programs to underserved communities have been diminished or eliminates because of the elimination of state funding. Continued lack of state support will irreparably harm our arts and cultural organizations. Regionally, cultural groups provide an incredible range of after-school and summer programs, in-school outreach activities and year-long initiatives that motivate young people, inspire smart career paths and fuel their desire to question, learn and excel. How can the Commonwealth not fund its future?</p>	<p>Museum: Art; Science/Technology; History</p>

Source: Comments were provided by respondents to a survey created by the LB&FC.

## APPENDIX F

### Comments by Survey Respondents of Need for State Funds and How State Funds Could Be Better Spent

<u>Annual Operating Budget: ≤ \$25,000</u>	<u>Organization Type</u>
The state needs to recognize that bigger is not always better. Size of the medium/entity tends to drive funding resources/opportunities. It would be great if smaller non-profits would be afforded an opportunity to apply for some state grant funds. We do not meet the requirements to be a museum, but we function as such in our collections and programming.	Historical Society with Collections
Without some form of a state subsidy, the smaller not-for-profits would have a difficult or nearly impossible ability to perform a critical role in telling our story about our cultural heritage. Smaller organizations have a limited staff and fund raising can become onerous. Volunteers are usually interested in hands-on activities and tend to leave an organization when faced with too much fund raising or paperwork activities.	Museum: Science/Technology and Transportation/Maritime
The funds obtained from membership dues and fund raising efforts are insufficient to defray basic operating overhead costs. Our collections of artifacts and documents encompass more than three centuries. Most residents do not have the ability to provide any meaningful financial support.	Historical Society with Collections and Museum: History; Transportation/Maritime
There also ought to be a category for need. Organizations with limited resources who are working very hard to raise funds should be given some priority over large institutions who have many members, resources, paid staff, large number of visitors. Our program is just as important to this small rural community as any in an urban setting.	Historical Society with Collections Historic House Site Museum: History Official County Historical Society
<u>Annual Operating Budget: ≤ \$25,001 to \$99,000</u>	
The need to fund county historical societies is becoming more essential each year if we expect to preserve the cultural identity for our younger generations. Generally smaller institutions have greater needs for funds specifically for grant writing and program development.	Historical Society with Collections Official County Historical Society Museum: Military
Large museums associated with universities and large cities always seem to receive the lion's share of funding. With professional paid staff it is far easier for them to apply for grants and do fundraising. Small organizations and museums are lacking some of the fundamental equipment and preservation supplies to even maintain their collections.	Library/Archives
Funding for museums has been a complicated mess for years. Museums do more than their fair share in attracting visitors to the state. Museums contribute greatly to their community's economic development and they create good jobs. Museums intersect with the Commonwealth's interests in education, tourism, and economic growth. Funding for museums is not a question of need but one of leadership that shows Pennsylvania state government cares about the quality of life for citizens and the cultural heritage of the state.	Statewide Museum Association

**Appendix F (Continued)**

While we understand the need to balance the budget, it is frustrating to see that large museums and zoos still received operational funding from the state. Even more frustrating is that though they receive large amounts of operational funding from endowments and federal funds, they still are supported by money earmarked for them from the legislature.	Official County Historical Society Museum: History Historic House/Site
Provide at least some annual funding assistance, even if a minimum amount. Considering tight budget restraints is important, but providing some consistency year-to-year to help smaller organizations like ours is important.	Historical Society with Collections Historic House/Site
We are a small museum with a very important collection. The state should do an inventory of cultural assets in the small museums and then ensure they are able to care for them. Financial support could be based on the value of your collection.	Museum: Art; History; Natural History/Anthropology
Funding should be allocated to those organization that can show the museum funding will stimulate strong outcomes.	Historic House/Site
<u>Annual Operating Budget: ≤ \$100,000 to \$249,000</u>	
No comments in this budget category.	
<u>Annual Operating Budget: ≤ \$250,000 to \$999,000</u>	
We would like to see a scenario where there is a dedicated stream of funding that institutions could count on an annual or multi-year basis for general operating expenses, plus additional opportunities for grants for special programs/efforts and for facility and infrastructure needs.	Historical Society with Collections Official County Historical Society Historic House/Site
Restoring some level of state funding would allow those institutions that have a limited budget and no other sources of funding the ability to preserve and share their history. Many of these institutions share their primary artifacts and documents with students, researchers, teachers, who come from local, regional, national and international areas. So that these historically valuable artifacts and documents can continue to be exhibited and made available for research use, some level of funding must be reinstated.	Museum: History
State funding of museums is very important and greatly needed during a period of slow economic recovery. As a non-profit we rely heavily on charitable donations, which unfortunately are down right now and possibly in jeopardy if the value of the tax deduction for charitable contributions is limited by federal regulations. A state funding of our public education system continues to be decreased; educators are turning to museums for assistance and resources in helping them to enhance their curriculum units through in-classroom presentations, as funding is no longer available for class trips to museums. Forming such partnerships with our community schools is a privilege and yet a challenge as our costs for implementing outreach activities are increasing while state funding of museums is also being cut.	Historic House/Site

## Appendix F (Continued)

Public funding of museums and cultural organizations is needed if many of us are to survive the loss of private monies due to the economic collapse of corporate giving combined with personal funds directed to health and human services needs first. A dedicated funding stream that incorporates a portion of Marcellus Shale income would be ideal as those are new monies that would not require removal from another agencies budget.	Museum: Art; Science/Technology; History; Natural History
We have worked very hard to increase our earned income since losing state funding and have sought new grant funding. However, we have been unable to replace state funding fully and are still considering staff layoffs.	Historical Society with Collections Museum: Art; History
<u>Annual Operating Budget: ≤ \$1,000,000 to \$4,999,999</u>	
Funding should take into account the benefits the museum offers to the Commonwealth which may range from safeguarding our heritage to serving residents, to attracting tourism dollars. Funding should be based upon a certain level of competent and professional operation, which again may be very different for each museum depending on their mission.	Arboretum/Botanical Garden
We believe that all museum grant programs/funding streams should be via a competitive proposal process that utilizes a peer review panel to award funds.	Museum: Art
A project based funding with all parties eligible to apply would be acceptable. While museums would welcome subsidies for operating expenses, it will be more readily accepted by the public and by funding agencies to concentrate on project based instead of operational needs.	Historic House/Site
Almost all museums operate at a loss and that loss needs to be filled by contributions or grants. While museums create value for their communities in the areas of tourism, education, community development and community image, their costs for providing services exceeds earned income derived from these services. Further, the benefits of tourism largely accrue to other sectors of the local economy (lodging, dining, etc.) rather than to the museums that attracted the visitors. While state funding cannot close this entire gap, the Commonwealth should recognize the value produced by museums. Even a small, reliable state share of museum operating costs will go a long way in assisting museums to stabilize their operations.	Historic House/Site
No museum should be singled out for special favors. All museums and historic site should be governed by the same set of criteria to receive state funding. It is critical that the Commonwealth reinstate the general operating support grants. It is very difficult to raise general operating support from the private sector.	Historic House/Site Museum: History

**Appendix F (Continued)**

<p>I think a simple competitive process would be fine. I think preference should go to organizations accredited by AAM, as it shows due diligence and sustainability, as well as a desire for excellence. After that, I believe distribution based on numbers served would be equitable.</p>	<p>Museum: Children; Natural History</p>
<p style="text-align: center;"><u>Annual Operating Budget: ≤ \$5,000,000 or More</u></p>	
<p>Creating a pool of money which would be distributed with a formula makes sense. Example might be to distribute ne third evenly, one third based on audience size and one third based on quality of programs (could be budget size). A similar program could help in the amount of money going directly to provide services to visitors to museums, rather than to the administration of the program. Making it a two year funding commitment would make it less administratively a challenge.</p>	<p>Museum: Children’s</p>
<p>Museums are important economic engines for the Commonwealth. The need for general operating support is widespread. Cultural tourism provides jobs and supports a wide array of Pennsylvania businesses. A steady, predictable source of limited state revenues would provide a great deal of stability for those important institutions.</p>	<p>Historic House/Site Museum: Art; History; Transportation</p>
<p>The operating support provided through state agencies leverages private support and enables this institution to make an important education and economic impact in our region. The decline in public support has encouraged the art and cultural community to diversify and expand its funding streams to support annual operating budgets..</p>	<p>Museum: Art; Children’s Historic House/Site</p>
<p>We recommend that accreditation being included in any funding formula that is created.</p>	<p>Museum: Science/Technology</p>

Source: Comments were provided by respondents to a survey created by the LB&FC.

## APPENDIX G

### Review of How Selected States Provide Public Support for Museums

#### New York

There are nearly 2,000 museums and heritage organizations in the state, along with 112 zoos, botanical organizations and nature centers. Seventeen thousand people work in New York's museums, generating more than a billion dollars for the state's economy annually, primarily through wages, taxes, and the purchase of goods and services. The Museum Association of New York (MANY) reported in 2012 that "84% of the state's museums responding to polls have been affected "somewhat" or "significantly" by the financial crisis – extrapolated to the field that amounts to more than 1,500 organizations."<sup>1</sup>

The only two state-funded programs providing general operating support to museums, living collections, and heritage organizations are the New York State Council on the Arts (NYSCA) and the Zoos, Botanical Gardens and Aquarium (ZBGA) program.<sup>2</sup> The fiscal year 2012 state budget provided NYSCA's grants with total funding of \$35.6 million, \$4 million more than fiscal year 2011.<sup>3</sup> The ZBGA budget received \$9 million in both fiscal year 2011 and 2012.<sup>4</sup>

Funding for NYSCA overall funding is determined annually in the State's budget. Priority for NYSCA funding is given to projects that make the arts and culture relevant to contemporary life, that demonstrate responsiveness to diverse visitors and communities, and that provide opportunities for museums to engage with living artists.<sup>5</sup> Most museums must be chartered through the New York State Museum Chartering Program.<sup>6</sup> NYSCA includes historic houses and sites as eligible museums, but not organizations that primarily manage living collections such as zoos. Museums must also have been open to the public for a minimum of one year and must provide services to the public for a minimum of 120 days per year. Grant requests are evaluated with established agency-wide criteria. Applicants are evaluated based on their strength in the areas of:

- Promotion and Outreach
- Audience Development
- Audience/Visitor Participation
- Safety & Accessibility
- Diversity of Programming
- Community Service

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<sup>1</sup> *The Status of New York State's Museums 2012*, The Museum Association of New York, pp.1-2.

<sup>2</sup> The ZBGA is funded through the Environmental Protection Fund, monies that come from the Office of Parks, Recreation and Historic Preservation.

<sup>3</sup> News Release: Economic Development Aid Creates and Retains Jobs, March 28, 2012.

<sup>4</sup> *The Status of New York State's Museums 2012*, The Museum Association of New York, p.4.

<sup>5</sup> New York State Council on the Arts Program Guidelines as of July 2012.

<sup>6</sup> New York views museums as educational organization, not nonprofit businesses. A museum or historical society organizing as a nonprofit education corporation must first petition the Board of Regents of the University of the State of New York for the issuance of a charter. A charter is granted as an instrument of incorporation to museums and historical societies that satisfy standards of organizational and educational quality established by the Regents.

## Appendix G (Continued)

Grant proposals are not limited to the confines of the physical structure of the applicant. Applicants may request grant funding for exhibitions or presentations in classrooms, community centers, park, open space and traditional venues.

Grant applications are first reviewed by council staff for eligibility and for completeness of the application. A peer panel of at least seven people is then convened. Panel members must have relevant and specific expertise in the pertinent program category for which the application was submitted. The panel evaluates and rates each application according to the criteria established by the NYSCA. The panel ratings form the basis for funding recommendations.

NYSCA staff also considers whether the museum applicants are capable of carrying out their proposals. It considers four areas of competence when evaluating applications:

- Mission/Governance/Organizational Management/Financial Management
- Educational Impact
- Geographic Location
- Other Funding Availability

The minimum grant awarded by NYSCA is \$2,500 and it does not make grants that would constitute the sole source of financial support for an organization. It rarely funds more than 50% of a project's entire budget, and in the case of requests for general support, it rarely funds more than 25% of an organization's budget. Some grants are awarded on a single-year basis, and some grants are awarded on a multi-year basis and are renewable for up to three years. Organizations with a continuing multi-year grant or grants must register each of those grants for each year they are in effect. Grant applications are completed on-line.

### Illinois

Museums in Illinois employ more than 6,420 people, spend more than \$576 million on goods and services, and serve more than 21 million visitors each year, including 3.4 million school children. This has resulted in an overall economic impact of approximately \$2 billion annually to the state.<sup>7</sup>

The Illinois Public Museum Grants Program is designed to help public museums expand and upgrade facilities and create new exhibits and other physical facilities to enhance their abilities to meet their mission. The Illinois Department of Natural Resources administers the program. Since the grant program is funded by capital development bonds, only museums operated by or located upon land owned by a unit of local government are eligible. Based on available funding sources and certification of eligibility, a public museum may submit one application per grant cycle for a capital project. The maximum amount to be awarded to a museum during the FY2012 is \$750,000. A total of \$15 million in funding from the state's "Illinois Jobs Now!" capital program has been made available for Fiscal Year FY 2012. Projects are reviewed solely on the merit of the application as presented. No changes to the funding request are allowed during the review process.

To qualify for a grant under this program, the museum must establish that:

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<sup>7</sup> *Illinois Museums Generate \$2 Billion in Economic Impact*, Illinois Association of Museums News, March 2012.



## Appendix G (Continued)

- It is a public museum that has been open to the public for at least two years;
- It is operated by or located upon land owned by a unit of local government or has been certified as a public museum;
- It is an organized, permanent institution that is tax exempt;
- It meets generally accepted professional standards as in the accreditation programs of the American Association of Museums, American Zoo and Aquarium Association, American Association of Botanical Gardens and Arboretums, and other appropriate organizations;
- It has a professional staff;
- It cares for and owns or utilizes tangible objects;
- It is open to the public on a regular schedule and regularly collects attendance data and maintains sufficient records such that the attendance numbers can be audited;
- It presents regularly scheduled programs and exhibits that use and interpret objects for the public according to accepted standards;
- It has filed timely reports and complied with requirements for previous grant awards;
- It can provide any required matching fund amounts.

A review committee examines the application and ranks them based on their merit as well as the amount being requested. Applications will be funded at the level requested or not at all. The grant program funds a wide variety of museums including aerospace museums, aquariums, arboreta, botanical gardens, children's museums, historic house museums, living history centers, natural history museums, science centers, and zoos.

Matching funds are required, however the amount required varies based upon the level of visitation for the preceding calendar year. Any approved project must complete at least a phase of the project within a two-year contract period. Consideration for approval is given to the size of the project relative to the size and attendance of the museum. The grant is distributed on a reimbursement basis and the museum is required to pay 50 percent of the costs before requesting reimbursement.

Nothing is reported about a formula that is followed by staff reviewing applications.

### Florida

The Florida Division of Cultural Affairs received an appropriation of \$12.6 million for FY 2013, a 109.7% increase from its \$6 million appropriation in FY 2012. The increase is largely for two grants: Cultural Facilities Grants and Culture and Museum Grants.

General Program Support Grants: Designed to fund the general program activities of an organization that is realizing its stated mission and furthering the state's cultural objectives. General Program Support grants have a maximum possible request of up to \$150,000 based on proposal type and funding category. Applicants must provide at least one dollar in cash or in-kind (donated goods or services) for every dollar requested from the division. This is called match. Many grants given out to organizations that are not museums but do have cultural objectives (theatres, ballet companies, music groups, etc.). There are three types of General Program Support Grants.

- Discipline-Based program support for conducting, creating, producing, staging, or presenting cultural exhibits, performances, educational programs, or events

## Appendix G (Continued)

- Local Arts Agency program support for designated Local Arts Agencies providing professional services to a county or counties.
- State Service Organization program support for cultural organizations providing professional services to at least half of the state.

All applicants must meet the following basic eligibility requirements at the time of application.

1. Have submitted no other applications for the General Program Support or Specific Cultural Project programs in the current application cycle.
2. Have the required legal status.
3. Agree to comply with all application requirements.
  - a) Complete all proposal activities within the grant period.
  - b) Make programming and activities open and accessible to all members of the public.
  - c) Match the grant amount requested, at least dollar for dollar.
  - d) Include only allowable expenses in the proposal budget.
4. Agree to comply with all grant administration requirements.
  - a) Sign and return the grant award agreement within 30 days.
  - b) Request approval for any changes to the awarded grant.
  - c) Submit timely and accurate reports.
  - d) Maintain complete and accurate grant records.
  - e) Comply with the requirements of the Florida Single Audit Act
  - f) Credit the State of Florida and Division of Cultural Affairs for funding.
  - g) Give notification of international travel at least 30 days before travel begins.

Applicants must also meet additional eligibility requirements based on Proposal Type and Funding Category. (see Guidelines).

Allowable expenses must be:

- directly related to the proposal,
- specifically and clearly detailed in the proposal budget, and
- incurred and paid within the grant start and end dates.

Only allowable expenses may be included in the proposal budget. The grantee may be asked to provide documentation such as canceled checks, paid invoices, or other financial documents verifying grant related expenses. No state funds may be used towards operational costs such as:

- phone
- utilities
- office supplies
- equipment costing over \$1,000
- property improvements
- fixtures
- building maintenance
- space rental
- other overhead or indirect costs.

## Appendix G (Continued)

### Review Criteria:

All applications are evaluated and scored using the following four criteria.

- Excellence and Innovation (up to 40 points) through review of the mission statement, proposal description, and Culture Builds Florida's Future.
- Impact (up to 30 points) through review of the Estimated number of individuals benefiting, youth benefiting, elders benefiting, and artists participating; estimated number of events and opportunities; Location of project/programming; and, proposal impact.
- Management (up to 20 points) through review of the evaluation plan; Fiscal Condition and Sustainability; operating budget; and, proposal budget.
- Accessibility (up to 10 points) through the award of points based on demonstration of accessibility in the applicant's facility and programming. Panelists will consider responses to the Accessibility questions in the application.

Applications must earn a minimum average score of 80 to be recommended for funding. The maximum number of points an application can earn is 100. Panel members will individually score each application. The average of the individual panelist scores will be rounded to three decimal places. When the fourth decimal is a 5 or greater, the score will be rounded up in favor of the applicant. For example, 79.9995 will be rounded to 80 but 79.9993 would remain 79.999.

The application review process includes the following:

1. Staff Review for eligibility
2. Panel Review and scoring
3. Florida Council on Arts and Culture recommendations
4. Secretary of State approval

Subject to legislative appropriation, all applications approved by the Secretary of State will be funded using the following method:

1. If the Legislative appropriation is equal to the total amount requested by applicants on the list, all applicants will be awarded their full request amount.
2. If the appropriation is less than the total amount requested by applicants on the list, award amounts will be determined by a score-based formula that proportionally distributes the appropriation.
  - A. request amount
  - B. score as a percentage (average score of application / 100)
  - C. adjusted request = request amount (A) x score as a percentage (B)
  - D. total appropriation
  - E. proportional ratio = appropriation (D) / total of all adjusted requests (C)  
award amount = adjusted request (C) x proportional ratio (E)

There are also specific cultural project grants with a maximum award of \$25,000 available to museums. A single application can only be submitted for either one or the other of the grants. Grant amounts available have reportedly been severely curtailed the last few years.

## **Appendix G (Continued)**

### **Minnesota**

In 2010, the Minnesota Association of Museums reported that there were 360 museums in the state - 6.8 for every 100,000 residents. The Association also reported that 313 towns and cities had at least one museum. The total direct economic impact of Minnesota museums is over \$298 million annually. In 2007, just three museums - the Minneapolis Institute of the Arts, the Science Museum of Minnesota, and the Minnesota Children's Museum - had 2,217,691 visitors in a state where tourism is a \$10.2 billion dollar business.

As discussed earlier, in November 2008 a constitutional amendment (Legacy Amendment) was passed by the citizens of the state to create a new tax to support four funds in the areas of fish and wildlife habitat, clean water, parks and trails, and arts and cultural heritage. The Arts and Cultural Heritage Fund receives 19.75 percent of the sales tax revenue resulting from the Legacy amendment to support arts, arts education and arts access, and to preserve Minnesota's history and cultural heritage. A portion of the dollars appropriated from the Arts and Cultural Heritage Fund are made available through grants programs administered by the Minnesota Historical Society and the Minnesota State Arts Board. Based on current sales tax revenue, Minnesotans will invest more than \$1.2 billion in arts and cultural heritage fund projects and programs over the 25 year life of the tax.

Minnesota Historical Society grants are to be used to support projects of enduring value for the cause of history and historic preservation across the state. Eligible applicants include nonprofit 501(c)(3) organizations, government units, tribes and educational organizations. Eligible projects fall into two large project categories – history projects and historic preservation projects. Grants Office Staff process all submissions and check that the applicant and project are eligible, and that the application is complete. The Grants Office assembles groups of applications for reviewers who then comment. Grants Office staff assist decision makers, prepare necessary grant documents and contact all applicants with funding determination decisions.

For development projects in the historic properties category, grantees must agree to sign a Letter of Agreement Governing Use of Historic Sites, assuming responsibility to maintain the historic property in a satisfactory manner for a specified number of years after the grant-funded project is completed. For small grants up to \$7,000, a five-year letter of agreement is required; for grants greater than \$7,000 and up to \$50,000, a 10-year letter of agreement is required; for grants of \$50,000 or more, a 20-year letter of agreement is required. Payment is either up front, reimbursable or on a schedule.

The Minnesota State Arts Board funds grants in the areas of arts and arts access, arts education, and arts and cultural heritage. Each of these three areas have two or three grants under which eligible applicants can apply for funding. The amount of grant funding available varies by individual grant but can range from \$5,000 to \$150,000. For three of the grants a 20 percent match is required. The remaining four grants have no match requirement. Arts and cultural heritage fund (ACHF) dollars may not be spent on administrative costs, indirect costs, or other institutional overhead charges that are not directly related to and necessary for the specific projects or activities that will be funded with arts and cultural heritage fund dollars.

## Appendix G (Continued)

Grant proposals are reviewed and grants awarded based on the degree to which the applicant meets four project criteria. Project criteria are quality of the arts experience, commitment to and from the community, project administration, and evaluation and assessment.

### Maine

In Section IV we noted that in Maine certain agencies have worked together well in serving and promoting arts and cultural agencies. Museums have also been important to Maine's economic development. A 2010 survey of 14 museums in Maine found that 442,000 people visited those museums in 2009 and spent nearly \$71 million. The survey estimates that direct spending of those visitors created a sales impact of nearly \$148 million and generated more than \$7.5 million in tax revenue for state and local governments.

To encourage the work of museums and other cultural agencies, at least two agencies, the Maine Humanities Council and the Maine Arts Commission, provide grant funding to museums. The Maine Humanities Council (MHC) is a statewide, private, nonprofit, organization funded by the Maine Legislature. The MHC administers five grant programs through which museums and other cultural entities may request funding. The grant programs are designed to assist non-profit organizations to develop public projects that incorporate one or more humanities disciplines. The five grants are:

- Arts & Humanities Grants which are the result of a partnership between the Maine Humanities Council and the Maine Arts Commission to support innovative community projects that have both arts and humanities components. The average award is \$750.
- Community Outreach Grants which provide support for a wide variety of public humanities projects, such as exhibits, lecture and film series, reading and discussion programs, symposia, cultural celebrations. The average award is \$850.
- Discretionary/Planning Grants provide support for small scale public humanities projects, such as lectures, program notes, or planning, development, and research activities in preparation for larger projects, or for testing new programming ideas, developing educational materials. The average award is \$462.
- Infrastructure Grants are special and time-limited grants for organizations seeking to support permanent or long-term (10 year minimum) infrastructure projects that support public humanities programming, such as long term exhibits, museum display furniture, or electronic systems that facilitate public access and use of historic collection. The grants are not intended to support general building construction, maintenance or renovation. Only Maine non-profits are eligible. Applicants are required to certify that no grant funds will be used to pay for organizational operating expenses, and that the anticipated lifespan for projects funded with these grants is at least ten years. A one to one cash match is required. Examples of eligible projects that may be funded include interpretive signage, long term museum exhibitions and infrastructure, and museum interpretive equipment. Salaries of staff and administrative expenses are ineligible, as are projects that are primarily related to arts, arts exhibits, or arts performance. The average award is \$6,993.
- Major grants are available for public programs, typically for \$5000, for a variety of larger humanities projects such as exhibits, conferences, films, and other initiatives.

## **Appendix G (Continued)**

Depending on the grant, applications are reviewed by a committee of the board members of the Humanities Council, the Chair of the Board, or Council staff.

The Maine Arts Commission provides grant support for artists, school districts, community organizations and art institutions through a variety of specialized grant programs. The agency uses funds from its state appropriation and federal funds through the National Endowment for the Arts, in addition to tapping into other public and private resources, to make awards across the entire state. In order to review grant applications, the agency convenes outside experts into groups. These groups balance the professional perspectives on a given field and represent diversity in geography, gender and ethnic background. Panelists review all materials, including work samples, and convene to score each application. The panels' recommendations are considered by Maine Arts Commission members and its chairman before final approval. Fourteen different grants, with maximum awards ranging from \$1,000 to \$50,000, are available. Grants that appear to be most beneficial to museums are the Creative Communities Grant and the Great Works Grant.

The Creative Communities Grants supports partnerships between cultural, economic and governmental sectors effect community revitalization. Applications will be considered from communities/regions with a strong commitment to inter-sector collaboration that seeks to strengthen the cultural assets of their community. Maximum grant award is \$50,000 and requires a one to one match. The Great Works Grant supports professional Maine arts organizations with annual operating budgets of \$500,000 or greater which present significant and innovative projects such as an exhibition, performance, film or residency. Maximum grant award is \$20,000 with an in-kind and/or cash match required.

We tried to determine how Maine officials review and rank applications but information could not be obtained.

## APPENDIX H

### Response to This Report

**Pennsylvania Historical and Museum Commission's  
Response to the Legislative Budget and Finance Committee  
Study of Museum Funding in Pennsylvania**

The Pennsylvania Historical and Museum Commission (PHMC) will celebrate 100 years of service to the citizens of Pennsylvania in 2013. The History Code assigns PHMC a wide range of responsibilities, including the management and operation of the State Archives, the State Records Center, the State Museum, more than 40 state-owned historic sites and museums, and the State Historic Preservation Office. PHMC is responsible for the care and stewardship of more than 400 historic structures, and the state's official collections in art, archaeology, history, geology, paleontology and natural history totaling 5 million artifacts. Among its other duties are the management of a number of state and federal grant programs for historic preservation, archives, historical societies and museums. These grant programs provide critical assistance to many organizations throughout the commonwealth.

PHMC is proud of its record in managing thousands of grant awards over the past three decades. Each grant is reviewed and approved by PHMC Commissioners, the Commission's legal counsel, the Governor's Office of General Counsel, the Office of the Attorney General, the Comptroller's Office and the Treasurer, to assure that they are in compliance with all state requirements and with current grant guidelines, established annually by the PHMC.

PHMC is grateful that the Legislature has authorized a study of museum funding in the commonwealth. The value that these institutions provide to the people of Pennsylvania is well articulated in the study. PHMC appreciates the extensive gathering of information from other states and the comprehensive survey of the Pennsylvania museum community reflected in this report. The initial fact finding process was open and a number of meetings were held to gather views and opinions. However, due to the short turnaround time for comments, PHMC lacked adequate opportunity to provide additional information or explanation to correct a few significant misperceptions in the report.

In the interest of accuracy, clarity and completeness, PHMC offers the following suggestions for strengthening this study.

**1. References to Keystone Historic Preservation Grants and Historic Preservation Tax Credits should be removed from this report.<sup>1</sup>**

Keystone Historic Preservation Grants are limited to planning and capital projects for historic state owned buildings and other public and non-profit owned historic structures, including churches, theaters, train stations, court houses, and schools, as well as Pennsylvania's 40 + historic sites. Combining historic preservation funds with museum funds is confusing and gives the impression that there are more state funds available to museums than is actually the case.

Historic Preservation Tax Credits are not available to government and non-profit organizations.

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<sup>1</sup> LB&FC Note: Keystone Fund grants are included in the report because, according to information provided by PHMC, the PHMC has awarded Keystone Fund grants to non-PHMC museums for seven out of the past eight years, with annual amounts ranging from \$500,000 to \$5.5 million.



## **2. References to PHMC not following its regulations in awarding grants are incorrect.<sup>2</sup>**

The History Code assigns PHMC a wide range of legal responsibility and authority that extends well beyond its work with museums and beyond the regulations promulgated in 46 Pa. Code, Chapter 17. The applicability of those regulations is limited. This report's misconception about grants management reflects a lack of familiarity with the evolution of grant requirements and guidelines over three decades of changing funding and needs. The report combines various grant programs that have different purposes and applicable regulations and/or guidelines. Although PHMC has been provided with no specific cases or the opportunity to offer documentation that might alter the conclusion, the report does note limitations to the conclusions because of a lack of information. The study team did not request the yearly guidelines and qualifications for each grant program, which would be needed to support or reject such conclusions. PHMC would be pleased to provide the missing information in order to clarify the misconceptions regarding its compliance with applicable rules.

## **3. The report does not address the issue of "Non-preferred" museum grants.<sup>3</sup>**

For many years a selected list of large museums received substantial grants through a separate line item in the PHMC budget. These grants were exempt from the competitive grant process and regulations. This category of museum grants is not discussed in the narrative of this study, even though the grant amounts are included in tables. If this information is to be included, some analysis of the past program and a recommendation for the future is warranted.

## **4. Statistics and information about DCNR grants to museums should be added to this study.<sup>4</sup>**

If DCNR provides regular grants to museums, as they are defined on page 52-3, the amounts should be included in the grant statistics and there should be some description and analysis of the DCNR grant process. Going forward, this addition would clarify the issue of who provides funding to organizations that may fit the Institute for Museum and Library Services definition of museums, but do not clearly fall into the categories traditionally funded by PHMC, DCED, and PCA, such as zoos, arboreta, botanical gardens and nature centers

### **Comments on Recommendations**

In general, PHMC supports the recommendations of the study and offers the following comments.

1. PHMC is engaged in exploring funding strategies in other states and would be pleased to work jointly with PCA in this effort. PHMC is attempting to reconfigure the Pennsylvania Heritage Foundation based on the model of the New Mexico Museums Foundation and to launch a resident curator program based on the Maryland model. PHMC will ultimately require the assistance of the legislature to eliminate several procedural obstacles to private investment.

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<sup>2</sup> LB&FC Note: We requested from PHMC the statutory or regulatory language that would authorize grants beyond the regulations promulgated in 46 Pa. Code, Chapter 17. PHMC did not provide such documentation. We also conducted our own search of statutes and regulations and could find no such language.

<sup>3</sup> LB&FC Note: The report contains specific information on nonpreferred museum grants on page 24. We also note on page S-1 that no museum received a nonpreferred appropriation in either FY 2011-12 or FY 2012-13.

<sup>4</sup> LB&FC Note: As noted in the report, we requested this information from DCNR, but they were unable to provide such information.

2. PHMC welcomes the concept of working more closely with PCA and DCED in funding issues and would add DCNR as well. PHMC is continuing the longstanding effort to strategically move more state-owned historic sites to local management.

3. PHMC is an active participant in the Arts and Culture Coalition and will continue to be engaged.

4. PHMC is currently working jointly with DCED on the State Historic Preservation Tax Credit and has managed the federal historic tax credit program for many years. These programs however are restricted to income-producing private property; non-profit museums and government museums may not apply. Therefore, the tax credit program should not be included in this study.

5. All PHMC grants are reviewed and approved by the Commissioners, the Office of the Comptroller, the Office of General Counsel and the Office of the Attorney General. Statutes, regulations and application requirements have been amended as needed.

6. PHMC generally supports the recommendations related to a new grant program with the following exceptions.

6a. Preservation grants, archive and local history grants should be funded separately from museum grants to achieve the simplicity and clarity recommended in this study.

6b. The accepted museum list should be further divided between PCA, PHMC, DCED, and DCNR to eliminate double dipping.

6c. PHMC advocates exploring multi-year general operating support grants and believes they could be awarded on the conditional basis that the 2<sup>nd</sup> and 3<sup>rd</sup> year funding amounts would be adjusted according to state budget changes.

6d. PHMC agrees that transparent, formula-based funding using a limited number of criteria is the best way forward. The new AAM Continuum of Excellence offers some performance based criteria that are less exclusive than full accreditation.

6e. PHMC supports the use of the Cultural Data Project.

6f. PHMC agrees that grant awards and amounts should reflect other sources of state funding.

6g. PHMC grants require a final report. We agree that for GOS grants, participation in the Cultural Data Project may be sufficient.