

**IMPACT OF MUSEUMS ON THE CALIFORNIA STATE
ECONOMY**

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IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

I. INTRODUCTION

In order to acquire information necessary to the publishing of a comprehensive directory of California museums, The California Association of Museums (CAM) developed an inclusive list of existing museums located in California.

Months of exhaustive effort resulted in the location of an overall, extensive listing of over 1,800 museums. For the purpose of this report, a museum is defined according to the American Association of Museums' definition: *an organized and permanent non-profit institution, essentially educational or aesthetic in purpose, with professional staff, which owns and utilizes tangible objects, cares for them, and exhibits them to the public on a regular schedule.* Also included in this directory are planetariums, science and technology centers, aquariums, nature centers, historic buildings, and zoos. By eliminating some duplication and overlapping, this list was reduced to 1,542 viable museums.

In addition to the process of accumulating the information necessary to publish the directory of California museums, a study of museums was also undertaken in order to collect significant ancillary detail of interest and importance to the museum community. This project was made possible with major support from the Institute of Museum and Library Services, a Federal agency that fosters innovation, leadership and a lifetime of learning. Other supporters include the California Arts Council and California Division of Tourism.

This detailed information has become the subject of three comprehensive reports:

- ABOUT CALIFORNIA MUSEUMS
- ASSESSMENT OF NEEDS OF THE CALIFORNIA MUSEUM COMMUNITY
- IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

All data collected during this study pertains to each museum's fiscal 1997/98 year. An in depth 12-page questionnaire was mailed to all museums identified. The questions asked covered two broad categories:

- Questions about the museums themselves, covering areas such as what is included in the organizations' primary and additional focuses and disciplines, collections and activities; what the organizations' physical facilities are; and the organizations' involvement in research fields, exhibits and technology. This section of the questionnaire also collected information pertaining to hours of operation, annual attendance, involvement in museum associations, and past history of the museum itself.

- Questions involving the needs and preferences of the museums as they relate to carrying out their activities. This section of the questionnaire investigated needs and preferences regarding such entities as resources; content of programs, seminars and workshops; benefits of CAM membership; and areas of unfulfilled needs.

A sub-sample of 450 museums were sent an additional 4-page questionnaire requesting detailed information regarding:

- Total Income and Revenue
- Sources of Income and Revenue
- Employment, Payroll Taxes and Benefits
- Purchases of Services
- Purchases of Goods
- Non-personnel Operating Expenses
- Purchases of Artistic/Cultural Properties
- Capital Expenditures

A total of 354 completed questionnaires were received. This response represents 23% of the 1,542 identified museums, a significant response considering the length of the questionnaire

Ordinarily, a sample size of 354 has a margin for statistical error of $\pm 5.3\%$ at the .95 confidence level. However, application of the finite population correction factor brings the error margin down to $\pm 1.6\%$.

What this means is that the chances are 95 out of 100 that the results of this survey will not differ more than 1.6% (in either direction) from those that would have been obtained had all 1,542 museums responded. This ensures that the results of this survey are projectable to all California museums.

In response to the Economic Impact survey, 71 responses were received. Ordinarily, a sample of 71 would have a margin for error of $\pm 11.9\%$. When the finite population correction factor is applied, this error margin is reduced to $\pm 2.2\%$.

On file with CAM are the over 400 statistical tables that analyze the responses to these two questionnaires. In this electronic data analysis, the total column only has been weighted to reflect the actual representation within the universe of museums of the specific museum disciplines. This was done in order to reduce the possible bias of over or under responses from the specific museum disciplines. In other words, by applying the weights, we are assured that we can make valid projections to the entire museum community. In addition to the total, all responses have been analyzed as follows:

Discipline

- Anthropology
- Art
- Botanical Garden
- Children's
- General
- Historic Site/House
- History
- Natural History/Nature Center
- Planetarium/Science
- Zoo

Geographic Location

- Northern Coast
- Northern Region
- Lake Tahoe/Sacramento
- San Francisco Bay Area
- Central Region
- Central Coast
- Desert Region
- LA Metro
- Southern Region

CAM Membership

- Member
- Non-member
- High Propensity for Becoming Member

Additionally, the Economic Impact portion of these studies has included:

Size is defined by operating budget as follows:

SIZE OF ORGANIZATION

| | <u>SMALL</u> | <u>MEDIUM</u> | <u>LARGE</u> |
|-------------------------------------|---------------------|-------------------------|---------------------|
| Arboretum/Botanical Garden | Under \$200k | \$200k to \$1 mil. | \$1 mil. & over |
| Art Museum | Under \$200k | \$200k to \$1 mil. | \$1 mil. & over |
| Children's Museum | Under \$200k | \$200k to \$1 mil. | \$1 mil. & over |
| General Museum | Under \$350k | \$350k to \$1 mil. | \$1 mil. & over |
| Historic Site | Under \$350k | \$350k to \$1 mil. | \$1 mil. & over |
| History Museum | Under \$350k | \$350k to \$1 mil. | \$1 mil. & over |
| Natural History/Anthropology Museum | Under \$250k | \$250k to \$1 mil. | \$1 mil. & over |
| Nature Center | Under \$250k | \$250k to \$1 mil. | \$1 mil. & over |
| Planetarium | Under \$250k | \$250k to \$1 mil. | \$1 mil. & over |
| Science Museum/Technology Center | Under \$1 mil. | \$1 mil. to \$5 mil. | \$5 mil. & over |
| Specialized Museum | Under \$350k | \$350k to \$1 mil. | \$1 mil. & over |
| Zoo | Under \$1 mil. | \$1 mil. to \$3 mil. | \$3 mil. & over |

Appended to each report is a copy of the survey instrument.

Following this Introduction is the report titled:

IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

II. EXECUTIVE SUMMARY

1. Very conservative estimates indicate strongly that museums have a positive impact on California's economy.

Without benefit of an input/output analysis, it would appear that public sector support of museums (Federal, State, County, and City government) is paid back almost four-fold. An annual investment of \$147 million returns \$563.4 million to the economy in terms of employment, purchases of goods and services, non-personnel operating expenses, and capital expenditures.

2. An indirect ripple effect on the economy brought about by visitors and users of museums has not been calculated.

This survey was not concerned with the effect that spending by visitors would have on the local economy, but even by the most conservative estimates, this would be significant. For example, if we estimate that each visitor to a museum organization spends an average of only \$3 per visit on such things as gas and transportation and meals and refreshments this would result in another \$78 million being returned to the economy.

3. Additionally, the ripple effect of the \$563.4 million that museums put back into the economy has not been calculated.

An input/output analysis if performed, would indicate a more significant impact on the economy. However, this \$563.4 million suggests an average sum of \$433,385 per museum that is funneled back into the economy.

4. California museums are a major employer.

The fact that museums provide employment to nearly 60,000 individuals makes the museum industry a major factor in the economy of the state of California.

5. Concluding Remarks:

Aside from cultural and educational contributions, California museums have a distinctly positive effect on the local, state, and national economies that far exceeds any government assistance that is provided.

It is recommended that museums consider the conduct of visitor surveys to further measure the not inconsiderable impact of the museum community on education, cultural enrichment, and the economy.

IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

III. PRINCIPAL FINDINGS AND CONCLUSIONS

1. Museums generate \$600.4 million in income and revenues.

The primary source of these incomes and revenues, 77%, comes from the private sector or from what museums themselves are able to generate.

This means that only 23% comes from city, county, state, or federal government. This is surprisingly little considering that 72% receive no support from state agencies, 45% receive none from city or county agencies, and 62% receive none from federal grants or awards.

They receive the most support from corporate and individual contributions, admissions and membership fees, and local (city and county) government. They receive the least amount of financial support through university support and the federal government.

2. Nearly all of these monies are put back into the economy in the form of wages, salaries, purchases of goods and services, and capital expenditures.

On an annual basis, museums put \$563.4 million, directly or peripherally, back into the economy. This represents 93.8 of total revenues. \$373.1 million is paid in the form of wages, salaries, payroll taxes, and employment benefits. Museums spend \$57.2 million on the purchase of services and \$29.9 million for purchases of goods. Non-personnel operating expenses take \$48.1 million, while \$22.1 million goes to the purchase of artistic and cultural properties. Capital expenditures for new construction and for renovation, alteration, or remodeling when amortized over 5 years takes \$33 million annually.

3. Museums retain only \$37 million of their income and revenues.

This is an average of less than \$30,000 per museum. This indicates strongly that museums are truly non-profit institutions.

4. Additionally, museums as an industry can be considered a major employer.

The museum community provides full-time paid employment to 18,360 individuals, part-time paid employment to 13,950, and 19,380 other paid positions. This means that irrespective of paid consultants or fee for service entities, California museums provide employment to nearly 60,000 individuals.

This makes museums as an industry a major California employer.

IMPACT OF MUSEUMS ON THE CALIFORNIA STATE ECONOMY

IV. SUMMARY, HIGHLIGHTS, AND DETAILED FINDINGS

We see the following when museums are asked for the beginning date of their fiscal year: (Table 241)

FISCAL YEAR: BEGINNING DATE

| | <u>TOTAL</u> |
|---------------|---------------------|
| | 71 |
| | |
| | % |
| January 1st | 20.7 |
| June 1st | 2.1 |
| July 1st | 66.8 |
| August 1st | 0.7 |
| September 1st | 1.9 |
| October 1st | 7.8 |

The following table will recap the response when museums are asked to indicate total income and revenues and to describe the sources of income and revenues: (Tables 241-254)

TOTAL INCOME AND REVENUES

| | <u>TOTAL</u> |
|-------------------------------|---------------------|
| | 71 |
| | |
| | % |
| Under \$100,000 | 28.8 |
| \$100,000 - \$200,000 | 3.5 |
| \$200,000 - \$300,000 | 4.4 |
| \$300,000 - \$500,000 | 16.5 |
| \$500,000 - \$750,000 | 1.9 |
| \$750,000 - \$1 Million | 2.8 |
| \$1 Million - \$1.5 Million | 6.6 |
| \$1.5 Million - \$2.5 Million | 3.6 |
| \$2.5 Million - \$5 Million | 15.1 |
| \$5 Million - \$7.5 Million | 8.0 |
| \$7.5 Million - \$10 Million | 0.0 |
| More than \$10 Million | 8.9 |
| | |
| | \$ |
| Mean: | \$2,463,000 |
| Median: | \$462,000 |

SOURCES OF INCOME AND REVENUE

| | <u>TOTAL MEAN %</u> | <u>% OF TOTAL - WHO RECEIVED NO SUPPORT FROM THIS SOURCE</u> |
|--|---------------------|--|
| | 71 | |
| | % | % |
| State Agencies | 4.6 | 72.3 |
| Corporate and Individual Contributions | 17.3 | 15.3 |
| Sales and Auctions | 7.7 | 25.1 |
| Admission and Membership Fees | 19.1 | 12.9 |
| Foundation Grants | 4.8 | 41.3 |
| Program Revenues | 10.0 | 27.2 |
| City and County Governments | 14.5 | 45.4 |
| University Support | 1.4 | 95.6 |
| Federal Grants and Awards | 1.9 | 61.6 |
| Investment Income | 4.2 | 53.2 |
| Endowments | 6.5 | 70.1 |

Museums are asked to indicate their expenditures for employee payrolls, payroll taxes, and benefits. The following tables will illustrate: (Tables 255-256)

EMPLOYMENT, PAYROLL TAXES, AND BENEFITS

| | <u>FULL TIME PERSONNEL</u> | <u>PART TIME PERSONNEL</u> |
|-----------------------------|--------------------------------|--------------------------------|
| | <u>TOTAL</u> | <u>TOTAL</u> |
| | 71 | 71 |
| | % | % |
| Under \$50k | 14.0 | 38.7 |
| \$50k - \$75k | 7.3 | 16.3 |
| \$75k - \$100k | 2.7 | 7.1 |
| \$100k - \$250k | 23.2 | 8.5 |
| \$250k - \$350k | 2.7 | 6.9 |
| \$350k - \$500k | 2.6 | 5.9 |
| \$500k - \$750k | 11.6 | 4.2 |
| \$750k - \$1 Million | 2.6 | 4.5 |
| \$1 Million - \$1.5 Million | 7.6 | 0.0 |
| \$1.5 Million - \$2 Million | 10.9 | 0.3 |
| Over \$2 Million | 8.7 | 1.6 |
| | | |
| | | |
| | \$ | \$ |
| Mean: | \$670,000 | \$198,000 |
| Median: | \$229,000 | \$58,000 |

We see the following when museums are asked about purchases of services and purchases of goods.

Purchases of services include such categories as contracted legal and accounting services; contracted advertising, public relations, and fundraising; contracted architectural and engineering; contracted new construction, new facilities, specific contractor services (i.e. carpentry, etc.); contracted cleaning and security; contracted maintenance and repair, including remodeling, alterations, and renovations; general construction and contractor services; equipment rental and leasing; printing and reproduction, commercial art, photographic services, collection agencies, personnel agencies, and computer related services; automotive rental and parking; etc.

Purchases of goods includes spending on such categories as motor vehicles; furniture; lumber, hardware, and other construction materials; office machinery and computers; other capital equipment and machinery including photographic, lighting, wiring, sound, and other electronic equipment and appliances; paper and paper products and office supplies; textiles and apparel; food and drink; etc.

PURCHASES OF SERVICES

| | TOTAL |
|-----------------------|--------------|
| | 71 |
| | |
| | % |
| Under \$25,000 | 35.8 |
| \$25,000-\$50,000 | 18.8 |
| \$50,000-\$75,000 | 5.5 |
| \$75,000-\$100,000 | 5.9 |
| \$100,000-\$250,000 | 6.2 |
| \$250,000-\$500,000 | 10.1 |
| \$500,000-\$750,000 | 2.1 |
| \$750,000-\$1 Million | 6.5 |
| Over \$1 Million | 6.5 |
| | |
| | \$ |
| Mean: | \$254,000 |
| Median: | \$44,000 |

PURCHASES OF GOODS

| | TOTAL |
|-----------------------|--------------|
| | 71 |
| | |
| | % |
| Under \$25,000 | 55.3 |
| \$25,000-\$50,000 | 9.4 |
| \$50,000-\$75,000 | 0.3 |
| \$75,000-\$100,000 | 6.2 |
| \$100,000-\$250,000 | 13.6 |
| \$250,000-\$500,000 | 6.9 |
| \$500,000-\$750,000 | 0.3 |
| \$750,000-\$1 Million | 2.1 |
| Over \$1 Million | 5.8 |
| | |
| | \$ |
| Mean: | \$159,000 |
| Median: | \$23,000 |

Non-personnel operating expenditures includes spending on rental of facilities, mortgage payments, fuel and utilities, telephone including answering services and information lines, insurance, interest payments on loans other than mortgages, shipping, warehouses, courier, mailing and postage, etc.

The following table will illustrate the response when museums are asked about their non-personnel operating expenses: (Table 259)

NON-PERSONNEL OPERATING EXPENSES

| | TOTAL |
|-----------------------|--------------|
| | 71 |
| | |
| | % |
| Under \$25,000 | 40.6 |
| \$25,000-\$50,000 | 19.0 |
| \$50,000-\$75,000 | 2.4 |
| \$75,000-\$100,000 | 0.6 |
| \$100,000-\$250,000 | 7.9 |
| \$250,000-\$500,000 | 7.8 |
| \$500,000-\$750,000 | 15.7 |
| \$750,000-\$1 Million | 0.0 |
| Over \$1 Million | 6.0 |
| | |
| | \$ |
| Mean: | \$231,000 |
| Median: | \$37,000 |

Purchases of artistic and cultural property include purchases made at auction houses, art galleries, publishers, non-profit arts organizations, or private individuals. This encompasses artwork, artifacts, textiles, clothing specimens, scripts, scores, library materials, royalties, copyrights, etc.

Following is the response when museums are asked about these expenditures: (Table 260)

PURCHASES OF ARTISTIC AND CULTURAL PROPERTY

| | TOTAL |
|-----------------------|--------------|
| | 71 |
| | |
| | % |
| None | 3.3 |
| Under \$25,000 | 72.1 |
| \$25,000-\$50,000 | 4.7 |
| \$50,000-\$75,000 | 5.6 |
| \$75,000-\$100,000 | 0.0 |
| \$100,000-\$250,000 | 7.2 |
| \$250,000-\$500,000 | 3.5 |
| \$500,000-\$750,000 | 0.0 |
| \$750,000-\$1 Million | 0.0 |
| Over \$1 Million | 3.7 |
| | |
| | \$ |
| Mean: | \$86,000 |
| Median: | \$17,000 |

Finally, museums are asked about the total cost of construction and renovation projects which have been initiated during the last five years, including all that have been started and completed as well as those that are currently in progress: (Tables 261-262)

CAPITAL EXPENDITURES - NEW CONSTRUCTION

| | <u>TOTAL</u> |
|-----------------------------|---------------------|
| | 71 |
| | |
| | % |
| None | 11.9 |
| \$25,000 - \$50,000 | 44.7 |
| \$50,000 - \$75,000 | 5.4 |
| \$75,000 - \$100,000 | 0.6 |
| \$100,000 - \$250,000 | 7.7 |
| \$250,000 - \$500,000 | 1.1 |
| \$500,000 - \$750,000 | 1.8 |
| \$750,000 - \$1 Million | 3.6 |
| \$1 Million - \$2.5 Million | 12.0 |
| \$2.5 Million - \$5 Million | 0.0 |
| \$5 Million - \$10 Million | 5.1 |
| More than \$10 Million | 6.1 |
| | |
| | \$ |
| Mean: | \$1,588,000 |
| Median: | \$46,000 |

**CAPITAL EXPENDITURES: RENOVATION, ALTERATION OR
REMODELING**

| | <u>TOTAL</u> |
|-----------------------------|---------------------|
| | 71 |
| | |
| | % |
| None | 3.6 |
| \$25,000 - \$50,000 | 29.1 |
| \$50,000 - \$75,000 | 13.0 |
| \$75,000 - \$100,000 | 17.3 |
| \$100,000 - \$250,000 | 15.0 |
| \$250,000 - \$500,000 | 3.7 |
| \$500,000 - \$750,000 | 2.8 |
| \$750,000 - \$1 Million | 0.4 |
| \$1 Million - \$2.5 Million | 4.4 |
| \$2.5 Million - \$5 Million | 4.4 |
| \$5 Million - \$10 Million | 4.4 |
| More than \$10 Million | 1.9 |
| | |
| | \$ |
| Mean: | \$957,000 |
| Median: | \$81,000 |

CAPITAL EXPENDITURES - RENOVATION, ALTERATION OR REMODELING

