

**CIVIC FEDERATION PROPOSES NEW FUNDING FOR CHICAGOLAND MUSEUMS,  
PROPERTY TAX RELIEF FOR COUNTY TAXPAYERS**



CHICAGO – A study to be released Monday, May 15<sup>th</sup> by the Civic Federation proposes a new public funding structure for the region’s major cultural institutions that would also provide relief for Cook County property tax payers.

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The study, which was funded by The Chicago Community Trust, found that cultural institutions provide substantial economic benefits to the region in addition to their primary educational and artistic missions. According to research conducted by the University of Illinois for the Civic Federation, the institutions had a combined economic impact of over \$1 billion and created almost 6,500 jobs with \$273 million in wage and salary income for northeastern Illinois in 2002. The institutions, which include the Museums in the Park, the Lincoln Park Zoo, the Brookfield Zoo, and the Chicago Botanic Garden, are collectively one of the area’s top employers with 4,710 employees in 2002 and generate \$1.35 in additional economic activity for every dollar they spend. The institutions also attract tourists to the Chicagoland area and provide incentives for businesses and individuals to relocate here. “The Museums in the Park and other local world-class institutions are not only vital to Chicago’s reputation as a cultural destination but also provide essential fuel to the economy of Northeast Illinois,” said Laurence Msall, president of the Civic Federation.

The report found public funding for cultural institutions has declined steadily in recent years as state and local governments struggle to reduce expenditures and limit increases in taxes. The Chicago Park District cut its operating subsidies to the Museums in the Park by \$4.8 million or 13.1% between FY2001 and FY2004. The State of Illinois reduced grants to the Museums by \$717,000 or 9% between FY1999 and FY2002. The institutions themselves face declining revenue from fees, charges, and investment income as well as decreased support from private subsidies and grants. Given the increasing financial pressures on governments, combined with the growing unpopularity of property taxes as a revenue source, the study concludes that the current property tax-based system of public funding should be replaced with a broader, more stable revenue base in order to secure the institutions’ long-term viability.

A Blue Ribbon task force of government officials, civic leaders, museum officials, and academics was convened by the Civic Federation to review public funding options and recommend funding strategies that would work best given Cook County’s economic and structural circumstances. The Task Force concluded that a new legal entity funded by a regional sales tax should be established throughout Cook County. A sales tax increase of ¼ of one percent (.0025) would replace the property tax support for the twelve institutions currently funding by the Chicago Park District and the Cook County Forest Preserve District and also provide a growing source of support for the many other emerging and new cultural institutions that do not receive property tax support. The recommended sales tax increase also calls for the Chicago Park District and the Forest Preserve District of Cook County to reduce their property tax levies by over \$26 million.

“The Museums in the Park members appreciate the Civic Federation’s important work, which independently validates the positive impact of cultural institutions in the Chicago area and our challenging funding situation,” said Paul Knappenberger, president of Museums in the Park. “The Task Force has produced well-reasoned funding alternatives and we look forward to exploring these alternatives with all of the key stakeholders.”

Msall was quick to point out that the proposal for tax relief included in the study is **inextricably** linked to the proposal for new, more stable funding for the cultural institutions. “The task force will support the creation of a new funding source and entity for the cultural institutions if, and only if, it is linked to significant property tax relief.”

The Civic Federation’s complete analysis, including detailed findings and recommendations, is available today on our website at [www.civiced.org](http://www.civiced.org).

*The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation’s membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.*

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**FUNDING CULTURE**

**THE REPORT OF THE TASK FORCE ON THE PUBLIC**

**FUNDING OF CULTURAL INSTITUTIONS IN**

**NORTHEASTERN ILLINOIS**

**Prepared By**  
**The Civic Federation**  
**May 2006**



## **ABOUT THE CIVIC FEDERATION**

The Civic Federation is a nonpartisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area companies and institutions.

The mission of the Federation is to maximize the quality and cost effectiveness of government services in the Chicago region by:

- Serving as a technical resource, providing non-partisan research and information;
- Promoting rational tax policies and efficient delivery of quality government services; and
- Offering solutions which guard against excessive taxation, enhance financial reporting, and improve the quality of public expenditures.

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as the Trust.*

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The Civic Federation would also like to acknowledge and thank several individuals for their invaluable commentary, support, and assistance throughout the duration of this project: Ted Beattie, President of Museums in the Park and the Shedd Aquarium; Jacqueline Atkins, Executive Director of Museums in the Park; James Chiampas, Chief Financial Officer of the Chicago Park District; David Doig of GenOne Group; and Civic Federation Board of Directors Chairman Scott E. Saef of the Law Offices of Sidley Austin Brown & Wood LLP.

Finally, the Civic Federation acknowledges and thanks all of the principals involved in researching and preparing this report: Roland Calia, Ph.D., project manager and principal author of this report; Shannon Rebholz, Research Associate, project researcher; Geoffrey Hewings, Ph.D., Director of the Regional Economics Applications Laboratory at the University of Illinois and author of the research report entitled “Economic Impact of Cultural Institutions’ Spending on the Northeastern Illinois Region’s Economy,” as well as the report chapter on indirect economic impact; Elizabeth Austin, Civic Federation Communications Director, who edited and revised the report, and Civic Federation Research Assistants Jeremy Newton, Daniel Antalics and Sheila Arora, who provided extensive research and analysis on several report chapters.

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## **EXECUTIVE SUMMARY**

This report is intended to promote public awareness of the serious funding issues confronting our region's major cultural institutions, to review options that have been implemented in other parts of the United States, and to propose recommendations that would help stabilize the public funding structure for those institutions. This report focuses primarily on 12 major cultural institutions in Cook County that receive property tax-based funding from the Chicago Park District or the Forest Preserve District of Cook County.<sup>1</sup> This report also examines options for providing some public funding to other cultural institutions within Cook County.

### **The Cultural Institutions Provide Substantial Benefits to the Region**

- In 2004 total attendance at the 12 cultural institutions was 13.35 million, nearly five times the population of the city of Chicago and more than one and a half times the population of the metropolitan area.<sup>2</sup>
- The institutions' combined 2004 attendance was nearly double the combined paid attendance at Cubs, White Sox, Bulls, Bears, Fire and Wolves games that year.<sup>3</sup>
- In 2002 the institutions employed more than 4,700 employees, 3,329 of them full-time. Considered collectively, the 12 institutions represent one of the region's largest employers.
- The dollar value of free days provided by the Museums in the Park reached an estimated \$8.5 million in 2004; additionally, the Museums in the Park provided approximately \$7.35 million worth of free admissions to Illinois schoolchildren that year.
- Operating expenditures in 2002 for the 12 institutions studied were \$485 million.
- Projections from the Chicago Region Econometric Input-output Model (CREIM) developed by the Regional Economics Application Laboratory at the University of Illinois estimate that the 12 cultural institutions had an economic impact of \$1.1 billion and created 6,500 jobs for the northeastern Illinois region in 2002.
- According to the CREIM projections, each dollar directly spent by the cultural institutions generated an additional \$1.35 of economic output throughout the region. Each dollar spent directly in wages generated an additional 83 cents in wages, and each job generated another 0.38 jobs.

### **Government Financial Support for the Cultural Institutions is Shrinking**

- Between FY1999 and FY2001, Chicago Park District's operating subsidies to the Museums in the Park remained stable at approximately \$37.2 million. In FY2002 the subsidy was cut by \$200,000; in FY2003 it was reduced by nearly \$1.6 million; in FY2004 it was further cut by \$3.1 million to \$32.4 million. These reductions, totaling \$4.8 million, represent a 13.1%

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<sup>1</sup> In 2004 the Museums in the Park consortium expanded to include the Museum of Contemporary Art (MCA). While the data and analysis in this study do not include information for the MCA, the final recommendations include that institution as an integral part of the Museums in the Park.

<sup>2</sup> Attendance data from: Museums in the Park, *Monthly Totals*, 2004; and "Chicago's Largest Tourist Attractions, 2004," *Crain's Chicago Business*, May 2, 2005; and U.S. Census Bureau, June 30, 2005, Annual Estimates of the Population for Incorporated Places over 100,000, Ranked by July 1, 2004 Population: April 1, 2000 to July 1, 2004 (SUB-EST2004-01), <http://www.census.gov/popest/cities/tables/SUB-EST2004-01.xls>.

<sup>3</sup> Chicago Convention and Tourism Bureau, "Attendance Data for Popular Chicago Attractions and Events," May 3, 2005, <http://www.choosechicago.com/stats/attendance.html>.

drop in funding from the Chicago Park District over a three-year period. Since then, the Park District's operating support has stabilized at the lower rate.

- The State of Illinois reduced grants to the Museums in the Park by \$717,000 between FY1999 and FY2002.
- The Museums in the Park reported a 10% decline in total revenues between FY1999 and FY2002. This \$40 million decline, from \$406 million to \$366 million, reflected the combined effects of cutbacks in government funding and investment losses.

#### **A Stable New Funding Structure is Necessary to Sustain the Cultural Institutions**

- Local governments' need to reduce expenditures and limit increases in the property tax levy is likely to further erode funding of cultural institutions under the current structure.
- A broader, more stable revenue base is needed to secure the cultural institutions' long-term viability.

#### **Task Force Recommendations for Stabilizing the Public Funding of Cultural Institutions**

- A new legal entity, funded by a regional sales tax, should be established throughout Cook County.
- The entity could be a Special District, with full budget and taxing authority established by the General Assembly, or an Intergovernmental Agreement negotiated between Cook County, the Forest Preserve District of Cook County, the Chicago Park District and the City of Chicago. The latter arrangement would resemble the current agreement between the Chicago Park District and the privately owned, not-for-profit Museums in the Park.
- In order to replace the institutions' current funding, support necessary capital expenditures and create a grant program to fund other Cook County cultural organizations, the legal entity would require annual revenues of \$120 million to \$125 million.
- The \$120 million to \$125 million target funding amount could be reduced by \$18.7 million if the following sums were deducted from the target figure: 1) the \$12 million paid by the Chicago Park District in 2002 to service existing debt (this money will only be required until existing debt is paid off); 2) the institutions' annual \$2.5 million share of the Park District's Personal Property Tax Replacement revenues (currently required by statute); and 3) the Forest Preserve District's \$4.2 million annual payment for debt service on \$50 million in general obligation bonds issued in 2004 for the Zoo and the Botanic Garden.
- Annual revenues would be distributed as follows: \$65 million for operations and \$40 million for capital needs for the Museums in the Park, the Brookfield Zoo, the Chicago Botanic Garden and the Lincoln Park Zoo; and \$15 to \$20 million for other cultural organizations in Cook County, to be distributed through a grant application process.
- The legal entity would be funded with a sales tax of 0.2% to 0.25% on both general merchandise and food and drugs.
- The new sales tax revenues provided to the institutions would allow the Chicago Park District and Cook County Forest Preserve District to reduce their property tax levies, giving Cook County residents \$26.6 million in property tax relief.
- The proposal for property tax relief is inextricably tied to the proposal for stable funding for the cultural institutions.
- The Task Force supports the creation of a new funding source and entity for the cultural institutions only if it is linked to significant property tax relief.

## **OVERVIEW OF STUDY**

No one would dispute the importance of cultural institutions as necessary amenities in a great city. Indeed, their influence on a region's "quality of life" can seem so self-evident that it overshadows the increasingly important role cultural institutions play in the local economy. Cultural institutions do more than educate and entertain. They employ large numbers of people and buy goods and services, and the ripple effects from their expenditures create more jobs and generate further economic activity in the region.

Northeastern Illinois is home to a number of world-class cultural institutions that draw millions of visitors, from the Chicago area, from throughout the United States and from countries around the world. These cultural assets provide millions of dollars in revenues to the regional economy.

Currently, the Chicago Park District and the Forest Preserve District of Cook County provide approximately \$65 million in annual operating subsidies to several cultural institutions, plus ongoing capital support funded by earmarked bond issues. These contributions represent a substantial percentage of the cultural institutions' revenues. In FY2002 the Chicago Park District provided 11.2% of total revenues for institutions located on its property, while the Forest Preserve District of Cook County provided 27.5% of revenues for Brookfield Zoo and the Chicago Botanic Garden.

This report analyzes financial trends for 12 major cultural institutions in Cook County that received property tax-based support in FY2002:

### **CULTURAL INSTITUTIONS INCLUDED IN THE ANALYSIS**

#### **Museums in the Park**

The Adler Planetarium  
The Art Institute of Chicago  
The Chicago Academy of Sciences (Notebaert Museum)  
The Chicago Historical Society  
The DuSable Museum of African American History  
The Field Museum  
The Mexican Fine Arts Center Museum  
The Museum of Science and Industry  
The Shedd Aquarium

#### **Others**

Lincoln Park Zoo  
Brookfield Zoo  
Chicago Botanic Garden

The Museums in the Park is a consortium of privately owned and operated cultural institutions located on Chicago Park District property. The consortium consisted of the nine institutions listed above until 2004, when the Museum of Contemporary Art (MCA) joined. Our economic analysis focuses primarily on the nine institutions included in Museums in the Park as of 2002. However, our proposals for future funding include all of the current Museums in the Park member institutions, as well as the Lincoln Park Zoo, the Brookfield Zoo and the Chicago Botanic Garden.

## **The Purpose and Scope of this Report**

Museums and other cultural institutions face growing financial demands as they seek to maintain and expand their educational and cultural offerings while also paying for necessary capital improvements. As a result, they find themselves increasingly competing against each other for attendance and funding.

At the same time, many governments face severe revenue shortfalls, limiting their ability to give these institutions the financial support they have received in the past.

To meet cultural institutions' growing needs, a number of state and local governments nationwide have developed innovative means to restructure their subsidies, such as creating regional tax districts, using consolidated fund-raising, combining public ownership with private operation, grandfathering existing boards into new policymaking bodies, and dedicating resources to smaller institutions. Some successful examples of these innovative funding structures include the Denver Scientific and Cultural Facilities District, the St. Louis Metropolitan Zoological Park and Museum District, and the San Francisco Grants for the Arts program.

The Civic Federation Task Force on Public Funding of Cultural Institutions in Northeastern Illinois was convened to study the public funding currently provided to the region's major museums, zoos, and gardens, to review funding options that have been implemented in other parts of the United States, and to propose recommendations that would provide stable, reliable future funding for those institutions. This report focuses primarily on finding ways to stabilize the public funding of major cultural institutions in Cook County that currently receive property tax subsidies. In addition it seeks ways to provide some public funding for other cultural institutions in Cook County. The scope of this project originally included all six counties in northeastern Illinois. However, because there are few cultural institutions outside Cook County that receive significant county-wide property tax support, the focus of this report was narrowed to the major institutions listed.

The work of this project was overseen by a Blue Ribbon Task Force composed of key stakeholders, including representatives from:

- Scientific and cultural institutions in the six-county region of Northeastern Illinois;
- Governments currently providing tax subsidies to these institutions; and
- Civic and business groups.

At the direction of the Task Force, Civic Federation staff conducted research that:

- Reviewed the current amount and structure of local public subsidies to scientific and cultural institutions in the region;
- Reviewed the revenue structures of those institutions;
- Surveyed and evaluated alternative funding structures implemented by other jurisdictions around the nation; and

- Identified options for improving the current local public funding structures for scientific and cultural institutions.

Based upon the research findings, the Task Force has adopted policy recommendations regarding the appropriate type and structure of public funding for the region's scientific and cultural institutions.

The report of the Task Force on Public Funding of Cultural Institutions in Northeastern Illinois makes *three findings*:

1. The cultural institutions provide substantial quantifiable benefits to the region;
2. Government financial support for the cultural institutions is steadily shrinking; and
3. A stable new funding structure is needed for the cultural institutions to replace current property tax subsidies and to offset declines in those public subsidies.

It is important to note that the Task Force believes all cultural institutions receiving property tax-based operating subsidies should continue to receive public funding at current levels. This report does not in any way advocate reduction of those subsidies, nor should existing subsidies be reduced until a new public funding structure is in place.

### **Cultural Institutions Provide Substantial Benefits to the Region**

Cook County's cultural institutions provide substantial quantifiable benefits, both direct and indirect, to regional and state economies. **Direct impacts** of cultural institutions include institutional employment and operating expenditures. **Indirect impacts** are the ripple effects of those expenditures that benefit other economic sectors.

The 12 cultural institutions in this study are popular entertainment and educational venues for residents and visitors alike. According to a 2001 survey by the Metro Chicago Information Center (MCIC), more than 80% of residents in the six-county region of Northeastern Illinois reported visiting the Brookfield Zoo, Field Museum or Shedd Aquarium between 1997 and 2001.<sup>4</sup> In 2004, total attendance at the 12 cultural institutions was 13.35 million, nearly five times the population of the city of Chicago and more than one and a half times the population of the metropolitan area.<sup>5</sup> In that year, the cultural institutions logged almost twice the attendance of the Cubs, White Sox, Bulls, Blackhawks, Bears, Fire and Wolves *combined*.<sup>6</sup>

The Chicagoland region's cultural institutions rank among the largest employers in the northeastern Illinois region. In 2002, the 12 institutions employed 4,710 people, 3,329 of them full-time. To put this into a broader regional perspective, in that same year, Baxter International, Inc. – the Chicago area's 35<sup>th</sup>-largest employer – reported a local headcount of 5,536.<sup>7</sup>

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<sup>4</sup> Metro Chicago Information Center, *Metropolitan Chicago Information Center (MCIC) Metro Survey, 2001*.

<sup>5</sup> Attendance data from: *Museums in the Park, Monthly Totals, 2004*; and "Chicago's Largest Tourist Attractions, 2004," *Crain's Chicago Business*, May 2, 2005.

<sup>6</sup> Chicago Convention and Tourism Bureau, "Attendance Data for Popular Chicago Attractions and Events," May 3, 2005, <http://www.choosechicago.com/stats/attendance.html>.

<sup>7</sup> "Chicago's Largest Employers," *Crain's Chicago Business*, November 25, 2002.

In FY2002 the 12 cultural institutions studied contributed nearly \$486 million in direct spending to the region's economy – more than the \$334 million Chicago Park District budget and the \$148 million budget of the Forest Preserve District of Cook County combined.

These cultural institutions provide enormous societal and educational benefits to the region. In 2004, the Museums in the Park reported 738,427 admissions to its member institutions on free days – almost 10% of total admissions, representing an estimated dollar value of \$8.54 million.<sup>8</sup> That same year, Illinois school groups – which are not charged admission fees – made up more than 15% of the total admissions to Museums in the Park institutions. Those admissions had an estimated value of approximately \$7.35 million. The cultural institutions also provide professional development training for educators on a regular basis.

The institutions' spending also generates substantial **indirect effects**, supporting industries such as wholesale supply, manufacturing, transportation, communications, insurance, finance, utilities, and tourism.<sup>9</sup> Those industries generate spending in turn, creating a multiplier effect. Using the Chicago Region Econometric Input-output Model designed by researchers at the University of Illinois, we calculated that the 12 institutions' total spending on operations generates \$1.14 billion worth of direct and indirect productive economic activity, including almost 6,500 jobs that generate \$273 million in wage and salary income.

### **Government Financial Support for the Cultural Institutions is Shrinking**

Many state and local governments face revenue shortfalls that have compelled them to reduce traditional subsidies to cultural institutions.

For example, the Chicago Park District's struggle to close recurring deficits in recent years has prompted cuts to its subsidy to the Museums in the Park.<sup>10</sup> In FY2002 the Park District cut its appropriations for the Aquarium and Museum Purposes Fund by \$200,000. Further cuts of nearly \$1.6 million in 2003 and \$3.1 million in 2004 followed. In total Chicago Park District appropriations for Museums in the Park operations dropped from \$37.2 million to \$32.4 million between FY2002 and FY2004 – a reduction of 13.1%.

State support for Chicago's major museums continues to decline as well. Between FY1999 and FY2002, the Illinois Department of Natural Resources (DNR) reduced its total grant support to the Museums in the Park by 9%, from \$7.8 million to \$7.1 million. The decline continues as the State struggles with budget deficits. In the FY2004 State budget, total DNR operating grants for museums throughout Illinois fell to \$5.6 million. The appropriation was further reduced to \$4.9 million in FY2005. Historically, the Museums in the Park have received about 50% of those funds, so the cuts have affected them proportionately.

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<sup>8</sup> Average price based on admissions information on the individual institutions' websites, August 26, 2005.

<sup>9</sup> Metro Chicago Information Center, *Museums & the Economy: an Economic Impact Study of Museums in the Park*, Winter 2001.

<sup>10</sup> Park District funding has not been reduced for Lincoln Park Zoo, which is owned by the Chicago Park District and operated by a nonprofit organization.

In addition the State of Illinois' FY2005 budget as passed by the General Assembly called for an end to the Horse Race Tax Allocation Grants, which have provided close to \$3 million to Illinois cultural institutions and parks. After widespread protest, those funds – which provide a total of \$1.1 million annually to the Museums in the Park – were restored. However, the threatened funding loss underscored the instability of state funding to cultural institutions.

It seems unlikely that reductions in state and local funding will be offset by equivalent increases in private giving and other income. Many of Cook County's cultural institutions report declining revenues from fees, charges and investment income, as well as decreased support from private subsidies and grants. Revenues and support declined by 3% between FY1999 and FY2002 for seven of the twelve institutions studied. This represented a total revenue decline of \$12.9 million, from \$506 million to \$493 million. Considered separately, the nine Museums in the Park reported a total decrease of \$40 million or 10%; six of those institutions reported revenue and support decreases of 21% or more. The Field Museum alone reported a \$25 million loss on investments between FY1999 and FY2002.

<b>CULTURAL INSTITUTIONS REVENUES &amp; SUPPORT: FY99 &amp; FY02</b>				
<b>INSTITUTION</b>	<b>FY1999</b>	<b>FY2002</b>	<b>\$ CHG</b>	<b>% CHG</b>
Field Museum	\$ 76,613,074	\$ 34,813,492	\$ (41,799,582)	-55%
Shedd Aquarium	\$ 50,335,187	\$ 32,819,975	\$ (17,515,212)	-35%
Notebaert Museum	\$ 11,664,000	\$ 7,791,000	\$ (3,873,000)	-33%
DuSable Museum	\$ 3,809,160	\$ 2,735,935	\$ (1,073,225)	-28%
Chicago Historical Society	\$ 20,281,922	\$ 15,299,472	\$ (4,982,450)	-25%
Museum of Science & Industry	\$ 50,999,608	\$ 40,536,702	\$ (10,462,906)	-21%
Adler Planetarium	\$ 12,508,947	\$ 13,196,154	\$ 687,207	5%
Art Institute	\$ 177,130,000	\$ 214,996,000	\$ 37,866,000	21%
Mexican Fine Arts Center Museum	\$ 3,272,075	\$ 4,159,473	\$ 887,398	27%
<b>Subtotal Museums in the Park*</b>	<b>\$ 406,613,973</b>	<b>\$ 366,348,203</b>	<b>\$ (40,265,770)</b>	<b>-10%</b>
Brookfield Zoo	\$ 53,007,000	\$ 50,881,000	\$ (2,126,000)	-4%
Botanic Garden	\$ 23,762,000	\$ 31,731,000	\$ 7,969,000	34%
Lincoln Park Zoo	\$ 22,985,712	\$ 44,485,447	\$ 21,499,735	94%
<b>TOTAL</b>	<b>\$ 506,368,685</b>	<b>\$ 493,445,650</b>	<b>\$ (12,923,035)</b>	<b>-3%</b>

### **A Stable New Funding Structure is Needed to Sustain the Cultural Institutions**

Given the increasing financial pressures on state and local governments and the growing unpopularity of property taxes as a revenue source, the Task Force concluded that the current property tax-based system of public funding can no longer provide a reliable revenue source for the region's cultural institutions. A broader, more stable revenue base is needed to secure those institutions' long-term viability.

Exploring alternative revenue plans, the Task Force reviewed public funding arrangements for several cultural institutions nationwide. These plans included special taxing districts established by local voters to collect and distribute funds, quasi-governmental agencies supported by earmarked tax revenue, appropriations and/or rent waivers provided to privately owned and operated institutions, and full public ownership.

After weighing these options, the Task Force members concluded that the most appropriate mechanism would be a **new legal entity**, formed for the express purpose of raising and distributing revenues for cultural institutions.

Considering possible revenue sources for this new legal entity, the Task Force sought a broad-based tax that would be both reliable and relatively elastic, and that would have the potential to grow as personal income levels rise. Options included increases in the hotel tax, liquor taxes, the cigarette tax, amusement tax, and sales tax.

Ultimately, the Task Force identified a county-wide sales tax on both general merchandise and food and drugs as the preferred revenue option. While sales tax revenues fluctuate along with the economic cycle, the sales tax is a relatively dependable revenue source over the long term. Sales tax is also broad-based, which means the tax rate required to raise sufficient revenue would be relatively modest and would not be likely to have a dramatic impact on economic decisions.

### **Task Force Recommendations for Stabilizing the Public Funding of Cultural Institutions**

The new legal entity's primary focus would be to ensure continued, reliable public funding for the major cultural institutions considered in this study. However, many other cultural institutions contribute significantly to the economic and social vitality of the region. The Task Force therefore recommends setting aside a portion of the new entity's funds to provide grants to organizations that do not currently receive local government funding.

#### *Targeted Revenue Amount: \$120 to \$125 Million in Total Annual Revenues*

The Task Force estimated that a new cultural institutions legal entity would require annual revenues of \$120 million to \$125 million. That figure would include \$65 million in operating funds for the 13 targeted institutions – the Museums in the Park, Lincoln Park and Brookfield zoos, and the Chicago Botanic Garden – \$40 million in capital funds for those institutions, and \$15 million to \$20 million for new and emerging institutions.

The estimate for operating funds is based on the average amount of property tax-based support received by the institutions in the fiscal years 1999 and 2002. The capital funding estimate is substantially greater than the \$20 million received by the institutions in the base years, reflecting the Task Force's anticipation of increasing needs for maintenance, rehabilitation and new construction over time.

In 2002 the Chicago Park District reported a debt service levy of \$12 million for its Aquarium & Museum bonds. Although the annual payment will decrease over time, this levy must continue until the outstanding bonds are retired. This report uses the 2002 amount of \$12 million as a baseline figure; the actual share of new funding allocated to CPD debt service could be negotiated to reflect debt service for the share of the Public Building Commission bonds used to pay for capital projects at the Lincoln Park Zoo. Also, the Chicago Park District provides about \$2 million annually from personal property replacement tax (PPRT) revenues earmarked by State law for the Museums in the Park. This amount could be deducted from the target operating

funding amount for a new total of \$63 million. If both amounts were deducted, the amount required from a **new revenue source** would range from \$105 million to \$110 million.

### *Distribution of Revenues*

The 13 institutions targeted would be guaranteed operating and capital support from the new legal entity, with capital funds to be distributed annually on the basis of agreed-upon criteria. The remaining \$15 to \$20 million would be distributed to other institutions through a grant application process.

### *Geographic Boundaries*

The Task Force considered two options for the new entity's geographic boundaries:

**Option 1:** A legal entity with boundaries encompassing Cook and DuPage counties. A sales tax of at least 0.175% would be required to provide the target funding amount.

**Option 2:** A legal entity with boundaries coterminous with Cook County only. A sales tax of at least 0.2% would be required to achieve a targeted amount of approximately \$108 million; a tax rate of 0.25% would generate the higher targeted amount.

Although there are a number of vital cultural institutions of varying sizes throughout northeastern Illinois, the relative size, attendance and annual budgetary needs of the institutions studied – all located in Cook County – led the Task Force to choose Option 2.

### *Type of Taxing Body*

Task Force researchers considered five different options for creating the legal entity:

1. A **Special Service Area** (SSA) established by Cook County Government;
2. An **Entity** created by Cook County Government to receive earmarked revenues and disburse approved expenditures, not subject to the County appropriations process;
3. A **Fund** established by Cook County Government, subject to the County appropriations process;
4. An **Intergovernmental Agreement** between Cook County, the Forest Preserve District of Cook County, the Chicago Park District and the City of Chicago, and
5. An independent **Special District** or **Authority** with full budgetary, taxing and debt issuance authority created by an act of the General Assembly.

1) An **SSA** is an area within a municipality or county providing services beyond those generally provided by that municipal government, and funded by taxes generated within the SSA.<sup>11</sup> An SSA may issue bonds secured by the full faith and credit of the SSA.<sup>12</sup> However, it is unclear whether an SSA may levy taxes other than property taxes, although Cook County may have this

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<sup>11</sup> *Illinois Compiled Statutes*, 35 ILCS 200/27-5 § 27-5.

<sup>12</sup> *Illinois Compiled Statutes*, 35 ILCS 200/27-45 § 27-45.

ability under its home rule authority.<sup>13</sup> In addition no Illinois county has ever created a county-wide SSA, making this an unlikely option.

2) An **Entity**, such as a Commission, created by the Cook County Government would have the authority to receive and distribute funds used to subsidize the cultural institutions. This entity would be fully independent, and would not be subject to appropriations by the Cook County Board of Commissioners. However, there is no legal authorization under current Illinois law for this type of legal arrangement.

3) A **Fund** established by Cook County Government could receive earmarked revenues and disburse approved expenditures, subject to the County's appropriations process. Cook County currently has the legal authority to establish such a fund. However, subjecting the fund to the appropriations process raises the possibility that revenues could be transferred or diverted at the discretion of the Board of Commissioners.

4) An **Intergovernmental Agreement** between Cook County, the Forest Preserve District of Cook County, the Chicago Park District and the City of Chicago could provide funding to the targeted cultural institutions. Under terms of the Agreement, Cook County would use its home rule powers to levy a county-wide sales tax. Funds from that tax would be disbursed to the institutions according to an agreed-upon formula. This arrangement would resemble the current operating and capital contribution agreement between the Museums in the Park and the Chicago Park District. The four governments currently possess the legal authority to enter into such an agreement.

5) The final option would be to establish a new government whose boundaries would be coterminous with Cook County, a **Special District** or **Authority** with full budgetary, taxing and debt issuance authority. A Special District's governing board could be elected or appointed; the governing board of an Authority would be appointed. While creation of a new government would guarantee that revenues could not be diverted to other purposes, creation of a Special District or Authority would require an act of the General Assembly – a process susceptible to political and policy pressures unrelated to Cook County concerns.

The Task Force recommends options 4 or 5: negotiation of an Intergovernmental Agreement between the four key governments or establishment of a special district.

#### *\$26.6 Million in Cook County Property Tax Relief Prerequisite for Stable Funding*

In addition to finding a solution for regional cultural institutions' funding problems, the Task Force envisions this project as facilitating the achievement of two interrelated goals – easing the financial burden faced by property taxpayers while simultaneously addressing the increasing fiscal needs of the Chicago Park District and the Forest Preserve District of Cook County, the two governments that provide the vast majority of tax-based subsidies to the institutions studied.

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<sup>13</sup> A definitive answer to the question of whether a home rule government could establish a non-property tax Special Service Area would require a formal opinion by the Illinois Attorney General or Department of Revenue.

The Task Force members believe the creation of a new entity funded by sales tax receipts could achieve both goals, allowing the two governments to retain a portion of the property tax amount currently levied for museum support and to abate the remainder in property tax relief.

The Chicago Park District Aquarium & Museum Purposes Fund property tax levy, used to subsidize the Museums in the Park institutions, was roughly \$30.6 million in FY2004. The Forest Preserve District of Cook County levy for the Brookfield Zoo and the Botanic Garden in that same year was \$22.6 million. Reducing each of those operating levies by 50% would provide \$26.6 million in property tax relief to Cook County taxpayers, while leaving \$15.3 million for the Chicago Park District and \$11.3 million for the Forest Preserve District to appropriate for other uses.

***The proposal for property tax relief is tied to the previous proposal for stable funding for the cultural institutions. The Task Force is opposed to the creation of any new funding source for the cultural institutions without linked property tax relief.***

## PUBLIC FUNDING OF MAJOR CULTURAL INSTITUTIONS

State and local governments provide substantial support for cultural institutions in the form of grants, subsidies, the free use of land or facilities, the assumption or abatement of certain operating costs (utility expenses, for example), and indirect subsidies like tax increment financing for infrastructure improvements. This study focuses on the use of local government property tax dollars and publicly owned land to support major cultural institutions.<sup>14</sup> This chapter examines the legal and financial arrangements that have been instituted between the Chicago Park District and the Cook County Forest Preserve District to provide public funding for a number of major cultural institutions.

The arrangements studied represent two models of local government tax-related support for cultural institutions:

1. Public ownership and financial support of an institution operated by a private nonprofit organization;
2. Financial support, through tax subsidies, rent waivers, or both, for a private institution located on public land.

The exhibit below shows which of the two models were used in 2002 by the institutions studied in this report.

MODEL	CULTURAL INSTITUTIONS	LOCAL GOVERNMENT PROVIDING SUPPORT
<b>Public Ownership, Private Operation</b>	Lincoln Park Zoo Chicago Botanic Garden Brookfield Zoo	Chicago Park District Forest Preserve District of Cook County Forest Preserve District of Cook County
<b>Public Support, Private Institution</b>	Adler Planetarium Art Institute Chicago Historical Society DuSable Museum Field Museum Mexican Fine Arts Center Museum Notabaert Museum Shedd Aquarium	Chicago Park District Chicago Park District

### Public Ownership, Private Operation

Three of the institutions examined are owned by a local government and operated by a private nonprofit organization: the Lincoln Park Zoo, the Chicago Botanic Garden, and the Brookfield Zoo.

<sup>14</sup> In this study revenues derived from the Personal Property Replacement Tax (PPRT) are included as local government revenues even though they are technically a State revenue source “passed through” to local governments. When the General Assembly abolished the locally based personal property tax in 1979, it introduced the PPRT, essentially a corporate income tax, to ensure that local governments did not lose revenues.

*Institution Owned by the Chicago Park District: The Lincoln Park Zoo*

A management agreement between the Chicago Park District (CPD) and the Lincoln Park Zoo identifies the Lincoln Park Zoological Society as the operator of the facility and the CPD as its owner. The CPD is contractually required to give the Zoo a minimum annual operating subsidy of \$5,584,000. The CPD Board of Commissioners may also contribute a portion of its capital funds to Zoo projects, but these contributions are not contractually or statutorily required.<sup>15</sup>

In FY1999 the Chicago Park District provided the Lincoln Park Zoo with a total of \$9.5 million – \$6.7 million in operating support and \$2.8 million in capital funds. Three years later, the subsidy was increased to \$10.9 million, which included approximately \$4.0 million in capital funds for the Large Mammal House and the Great Ape House.

**CPD Contributions to the Lincoln Park Zoo 1999 & 2002**

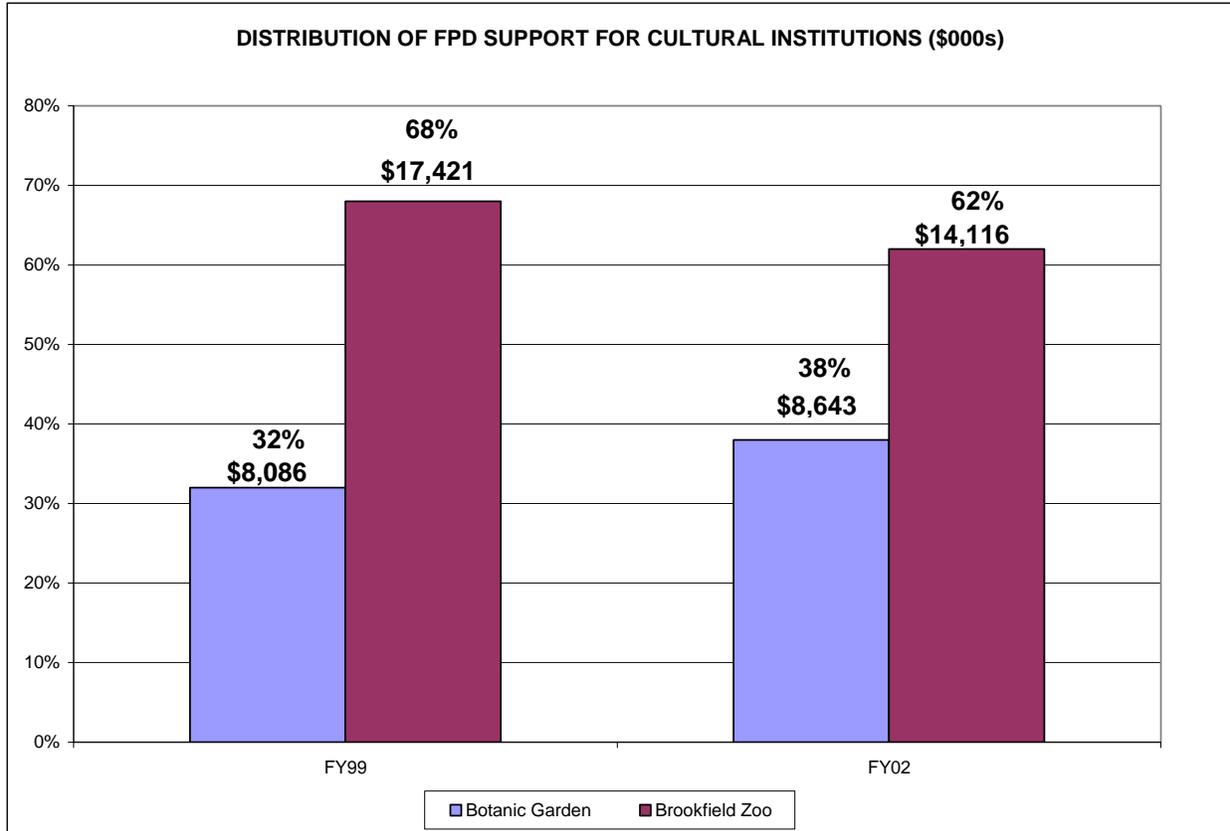
<b>Operating</b>	<b>1999</b>	<b>2002</b>
Operating subsidy	\$ 5,584,000	\$ 5,500,000
Debt service on Reptile/Small Mammal House	\$ 1,119,448	\$ 1,119,448
Utility payments		\$ 250,000
Insurance		\$ 103,000
Legal fees		As needed
<b>Subtotal Operating</b>	<b>\$ 6,703,448</b>	<b>\$ 6,972,448</b>
<b>Capital</b>	<b>\$ 2,814,592</b>	<b>\$ 4,000,000</b>
<b>TOTAL</b>	<b>\$ 9,518,040</b>	<b>\$ 10,972,448</b>

*Institutions Owned by the Forest Preserve District of Cook County*

The Brookfield Zoo and the Chicago Botanic Garden are component units of the Forest Preserve District of Cook County (FPD), meaning that the FPD owns both institutions, and that it levies, collects, and remits taxes to support them. The Zoo, however, is operated by the nonprofit Chicago Zoological Society, and the Botanic Garden is operated by the nonprofit Chicago Horticultural Society. Financial information about these two institutions is presented separately in the FPD's audited financial statements.

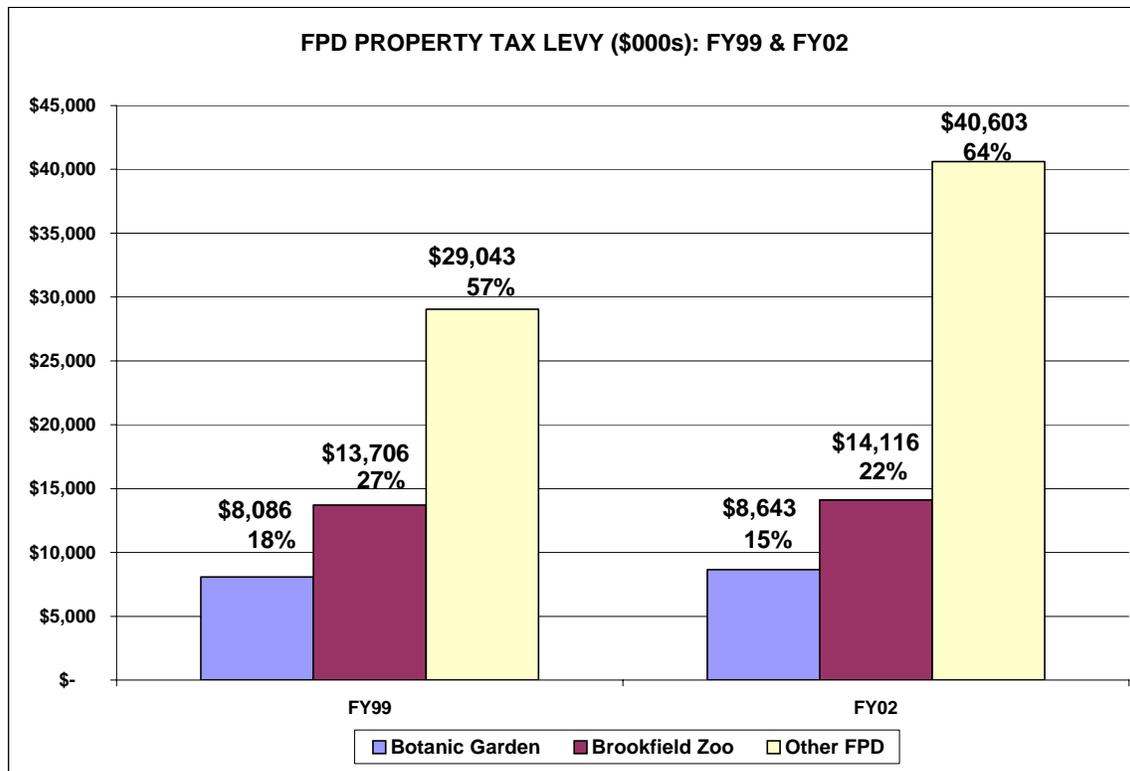
In FY1999 the Botanic Garden received 32% of the FPD's cultural institution spending, and the remaining 68% was apportioned to the Brookfield Zoo. In FY2002 the Zoo's share of FPD funds dropped to 62%, primarily because of a \$3 million reduction in capital support as Zoo projects were completed.

<sup>15</sup> Chicago Park District Budget Office, pers. comm., May 15, 2003.



The Forest Preserve District Board authorizes all Garden and Zoo revenues in its annual budget, including fee revenues and their share of the property tax levy. In FY1999 the Botanic Garden and the Brookfield Zoo together claimed 63% of all District revenues. In FY2002 they received 55% of the District's \$132.3 million in total revenues.

The portion of the FPD's property tax levy reserved for the Zoo and the Garden is shown next. In FY1999 43%, or \$21.8 million, of the District's levy was reserved for the two institutions. By FY2002 the percentage had dropped to 37%, or \$22.8 million.



### Public Support, Private Institutions

In 2002 nine Chicago cultural institutions were independently operated but received property tax-based subsidies. The nine institutions used buildings and land owned by the Chicago Park District free of charge.

#### *The Chicago Park District and the Museums in the Park*

The cultural institutions located on Chicago Park District property are independent, nonprofit institutions. While they receive funding from the Chicago Park District, they approve their own annual budgets and may incur debt without CPD approval. However, the Park District must approve admission fees to the institutions and certain CPD officers are members of the institutions' Boards of Directors.

In August 2004 the CPD Board of Commissioners approved purchase of the land beneath the Museum of Contemporary Art (MCA) for \$1 and then voted to lease the land back to the Museum for the same sum. The following month, the presidents of the nine member institutions of Museums in the Park voted to expand the organization to include the MCA. That move made

the MCA eligible for phased-in Park District operating subsidies: \$200,000 in 2005, \$600,000 in 2006, \$1 million in 2007, and \$2 million in 2009.<sup>16</sup>

Illinois statute specifies the financial relationship between the CPD and the cultural institutions:

- The Chicago Park District is permitted (not required) to levy taxes (up to 15 cents per \$100 of assessed value) for the operation and maintenance of the Shedd Aquarium and the other institutions located on CPD property;
- The CPD is required to allocate a portion of the personal property replacement tax (PPRT) revenues it receives annually; and
- The CPD is empowered to sell bonds for certain Aquarium and Museum (A&M) capital improvements and to levy property taxes to pay for debt service on those bonds.

The CPD provides operating support through its A&M Purposes Fund and capital support through its A&M Improvement Fund.

#### *The Aquarium and Museum Purposes Fund of the CPD*

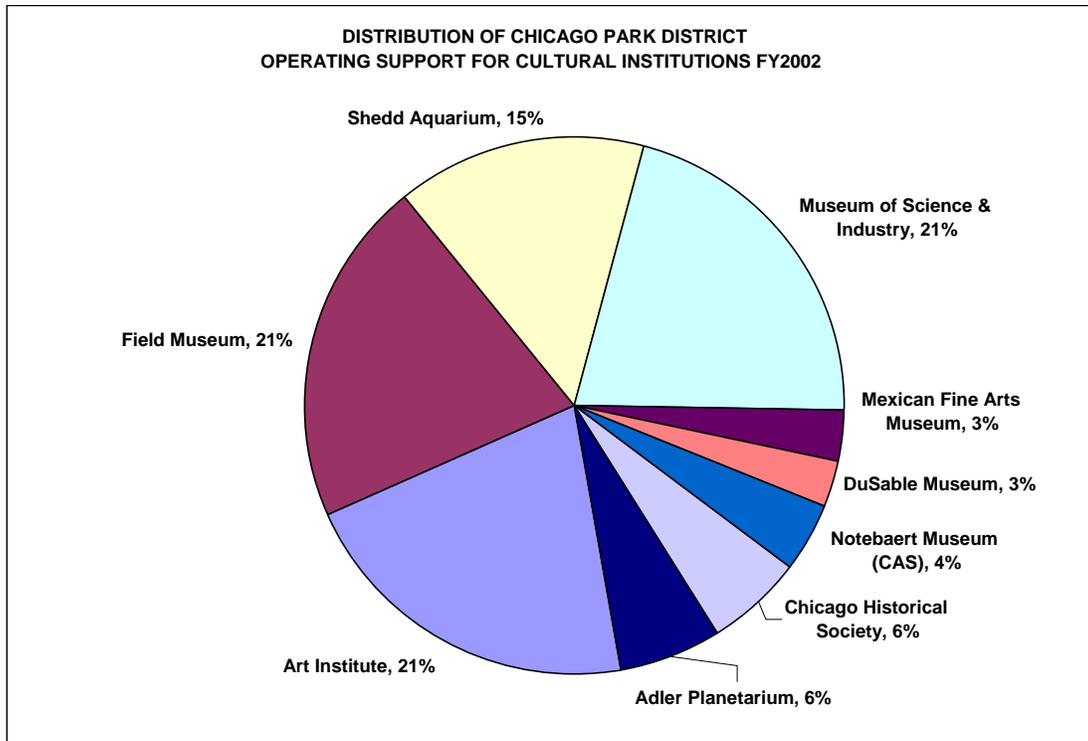
The A&M Purposes Fund was established by state statute, enacted in 1933 and amended in 1935, to provide funds for “operating, maintaining, and caring for the institutions,” their buildings and their grounds. The Fund monies are derived from property tax and PPRT revenues. An annual lump sum from this fund is transferred to Museums in the Park, which then allocates the funds to each institution.<sup>17</sup> Revenues are distributed in the year following the levy’s authorization. In FY1999 and FY2002, total support from the A&M Purposes Fund averaged \$36.8 million.

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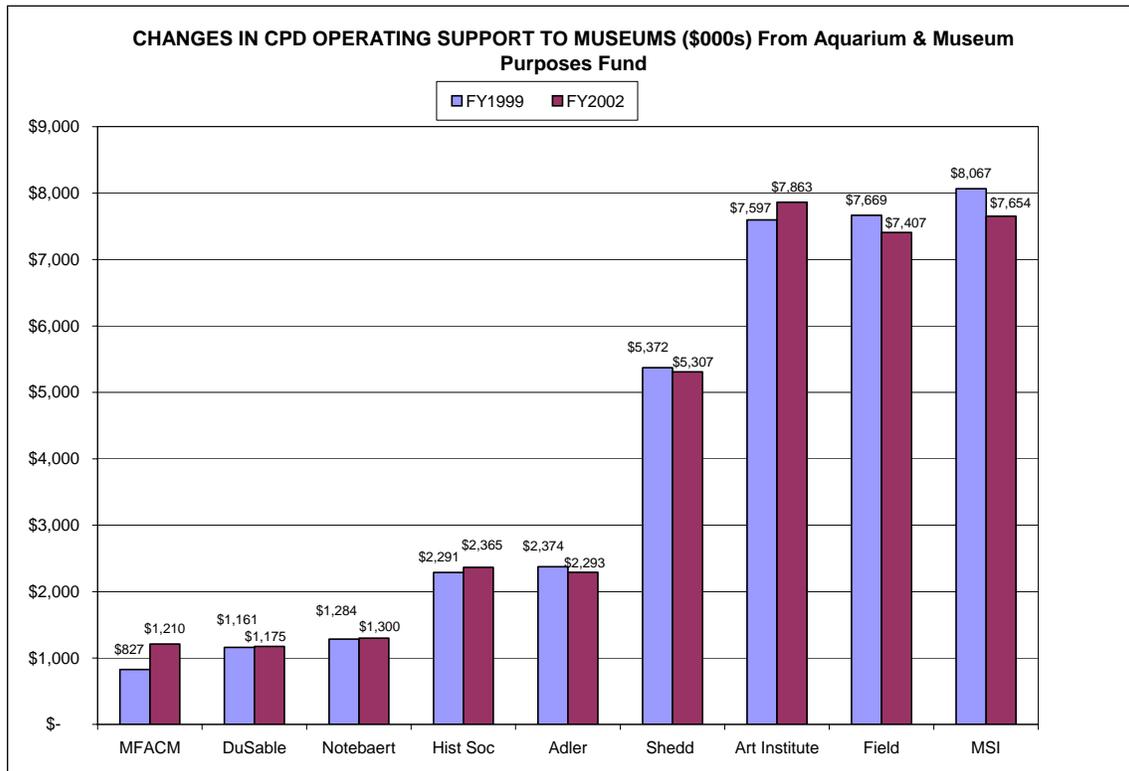
<sup>16</sup> Charles Storch, “MCA Now 10<sup>th</sup> Member of Museums in the Park,” *Chicago Tribune*, September 10, 2004.

<sup>17</sup> Interview with Chicago Park District budget and finance staff, August 7, 2003.

The following exhibit shows the distribution of Fund support among the institutions in FY2002. The exhibit interprets data drawn from the audited financial statements of the individual cultural institutions and it thus reflects actual dollars spent, not appropriated funds.



Changes in the distribution of CPD operating support between FY1999 and FY2002 are shown in the next exhibit. While the overall funding amount remained relatively constant, support was reduced slightly – an average of 3.3% – for four of the nine institutions. The Museum of Science and Industry received the single largest reduction, its support falling by 5.1%, from approximately \$8 million to \$7.7 million. The largest percentage increase was 46.2% for the Mexican Fine Arts Center Museum, whose funding rose from \$827,363 to \$1,209,912.



*Distribution of Property Tax and PPRT Revenues in Chicago Park District Appropriations*

The total amount of CPD operating support that each member of the Museums in the Park consortium received each year from FY1999 to FY2004 is shown next. The exhibit lists the dollar amount of property tax and PPRT revenues originally appropriated for each institution and shows how these distributions changed over the five-year period. These figures differ slightly from those shown above because they represent *appropriations, not actual dollars spent*.

<b>CHICAGO PARK DISTRICT TAX SUBSIDIES TO CULTURAL INSTITUTIONS</b>								
	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>	<b>FY2004</b>	<b>\$ Change FY99-FY04</b>	<b>% Change FY99-FY04</b>
<b>Museum of Science and Industry</b>	\$ 7,897,213	\$ 7,729,504	\$ 7,729,504	\$ 7,688,024	\$ 7,364,637	\$ 6,720,562	\$ (1,176,651)	-14.9%
Property Taxes	\$ 7,394,861	\$ 7,218,913	\$ 7,213,862	\$ 7,175,149	\$ 6,967,749	\$ 6,345,549	\$ (1,049,312)	-14.2%
PPRT	\$ 502,352	\$ 510,591	\$ 515,642	\$ 512,875	\$ 396,888	\$ 375,012	\$ (127,340)	-25.3%
<b>Field Museum of Natural History</b>	\$ 7,897,213	\$ 7,729,504	\$ 7,729,504	\$ 7,688,024	\$ 7,364,637	\$ 6,720,562	\$ (1,176,651)	-14.9%
Property Taxes	\$ 7,394,861	\$ 7,218,913	\$ 7,213,862	\$ 7,175,149	\$ 6,967,749	\$ 6,345,549	\$ (1,049,312)	-14.2%
PPRT	\$ 502,352	\$ 510,591	\$ 515,642	\$ 512,875	\$ 396,888	\$ 375,012	\$ (127,340)	-25.3%
<b>Art Institute of Chicago</b>	\$ 7,897,213	\$ 7,729,504	\$ 7,729,504	\$ 7,688,024	\$ 7,364,637	\$ 6,720,562	\$ (1,176,651)	-14.9%
Property Taxes	\$ 7,394,861	\$ 7,218,913	\$ 7,213,862	\$ 7,175,149	\$ 6,967,749	\$ 6,345,549	\$ (1,049,312)	-14.2%
PPRT	\$ 502,352	\$ 510,591	\$ 515,642	\$ 512,875	\$ 396,888	\$ 375,012	\$ (127,340)	-25.3%
<b>John G. Shedd Aquarium</b>	\$ 5,661,098	\$ 5,538,111	\$ 5,538,111	\$ 5,508,391	\$ 5,276,687	\$ 4,815,214	\$ (845,884)	-14.9%
Property Taxes	\$ 5,300,988	\$ 5,172,278	\$ 5,168,658	\$ 5,140,921	\$ 4,992,321	\$ 4,546,521	\$ (754,467)	-14.2%
PPRT	\$ 360,110	\$ 365,833	\$ 369,453	\$ 367,470	\$ 284,366	\$ 268,693	\$ (91,417)	-25.4%
<b>Chicago Historical Society</b>	\$ 2,448,546	\$ 2,396,371	\$ 2,396,371	\$ 2,383,511	\$ 2,283,252	\$ 2,083,569	\$ (364,977)	-14.9%
Property Taxes	\$ 2,292,791	\$ 2,238,072	\$ 2,236,507	\$ 2,224,505	\$ 2,160,205	\$ 1,967,305	\$ (325,486)	-14.2%
PPRT	\$ 155,755	\$ 158,299	\$ 159,864	\$ 159,006	\$ 123,047	\$ 116,265	\$ (39,490)	-25.4%
<b>Adler Planetarium</b>	\$ 2,444,819	\$ 2,392,643	\$ 2,392,643	\$ 2,379,803	\$ 2,279,699	\$ 2,080,328	\$ (364,491)	-14.9%
Property Taxes	\$ 2,289,301	\$ 2,234,591	\$ 2,233,027	\$ 2,221,044	\$ 2,156,844	\$ 1,964,244	\$ (325,057)	-14.2%
PPRT	\$ 155,518	\$ 158,052	\$ 159,616	\$ 158,759	\$ 122,855	\$ 116,084	\$ (39,343)	-25.4%
<b>Chicago Academy of Sciences</b>	\$ 1,326,761	\$ 1,300,673	\$ 1,300,673	\$ 1,293,693	\$ 1,239,276	\$ 1,130,894	\$ (195,867)	-14.8%
Property Taxes	\$ 1,242,364	\$ 1,214,754	\$ 1,213,904	\$ 1,207,389	\$ 1,172,490	\$ 1,067,790	\$ (174,574)	-14.1%
PPRT	\$ 84,397	\$ 85,919	\$ 86,769	\$ 86,304	\$ 66,786	\$ 63,105	\$ (21,292)	-25.2%
<b>DuSable Museum</b>	\$ 868,358	\$ 1,226,137	\$ 1,226,137	\$ 1,219,557	\$ 1,168,258	\$ 1,066,088	\$ 197,730	22.8%
Property Taxes	\$ 813,121	\$ 1,145,142	\$ 1,144,341	\$ 1,138,200	\$ 1,105,299	\$ 1,006,599	\$ 193,478	23.8%
PPRT	\$ 55,237	\$ 80,995	\$ 81,796	\$ 81,357	\$ 62,959	\$ 59,488	\$ 4,251	7.7%
<b>Mexican Fine Arts Museum</b>	\$ 827,363	\$ 1,226,137	\$ 1,226,110	\$ 1,219,557	\$ 1,168,258	\$ 1,066,088	\$ 238,725	28.9%
Property Taxes	\$ 774,733	\$ 1,145,142	\$ 1,144,341	\$ 1,138,200	\$ 1,105,299	\$ 1,006,599	\$ 231,866	29.9%
PPRT	\$ 52,630	\$ 80,995	\$ 81,769	\$ 81,357	\$ 62,959	\$ 59,488	\$ 6,858	13.0%
<b>TOTAL PROPERTY TAXES</b>	\$ 34,897,881	\$ 34,806,718	\$ 34,782,364	\$ 34,595,706	\$ 33,595,705	\$ 30,595,705	\$ (4,302,176)	-12.3%
<b>TOTAL PPRT</b>	\$ 2,370,703	\$ 2,461,866	\$ 2,486,193	\$ 2,472,878	\$ 1,913,636	\$ 1,808,159	\$ (562,544)	-23.7%
<b>GRAND TOTAL</b>	\$ 37,268,584	\$ 37,268,584	\$ 37,268,557	\$ 37,068,584	\$ 35,509,341	\$ 32,403,867	\$ (4,864,717)	-13.1%

Source: Chicago Park District Appropriation Ordinances

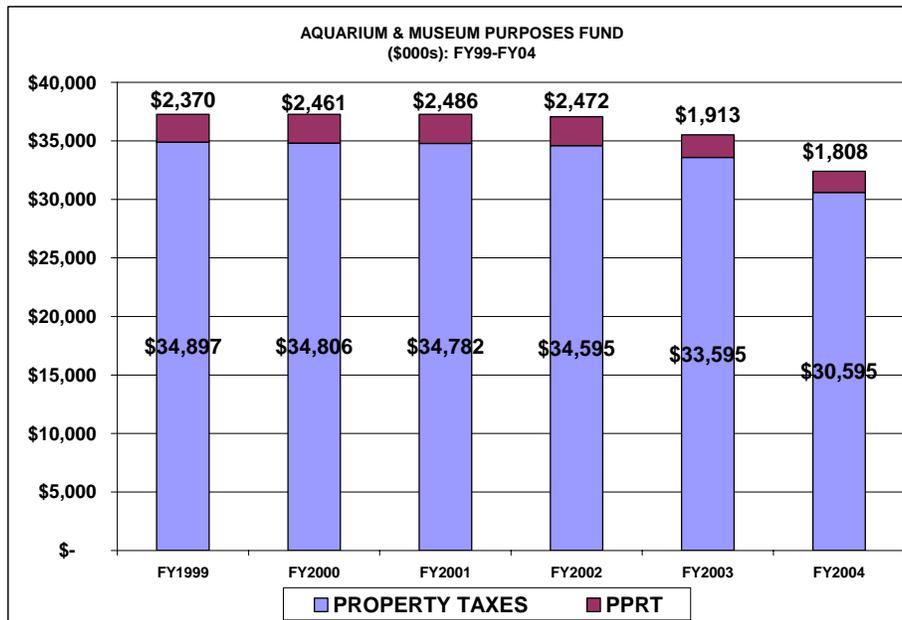
### ***Aquarium & Museum Purposes Fund Appropriations Have Been Reduced Since FY1999***

Between FY1999 and FY2004, the CPD reduced appropriations for the A&M Purposes Fund by \$4.8 million, or 13.1%. Substantive reductions began in FY2002, when the nine institutions' aggregate subsidy was cut by \$200,000. These reductions were followed by deeper cuts: nearly \$1.6 million in FY2003 and \$3.1 million in FY2004.

During that five-year period the allocation of funds among the Museums in the Park member institutions shifted; support for seven of the institutions was reduced almost uniformly by %14.9, while the DuSable Museum and the Mexican Fine Arts Center Museum saw increased support.

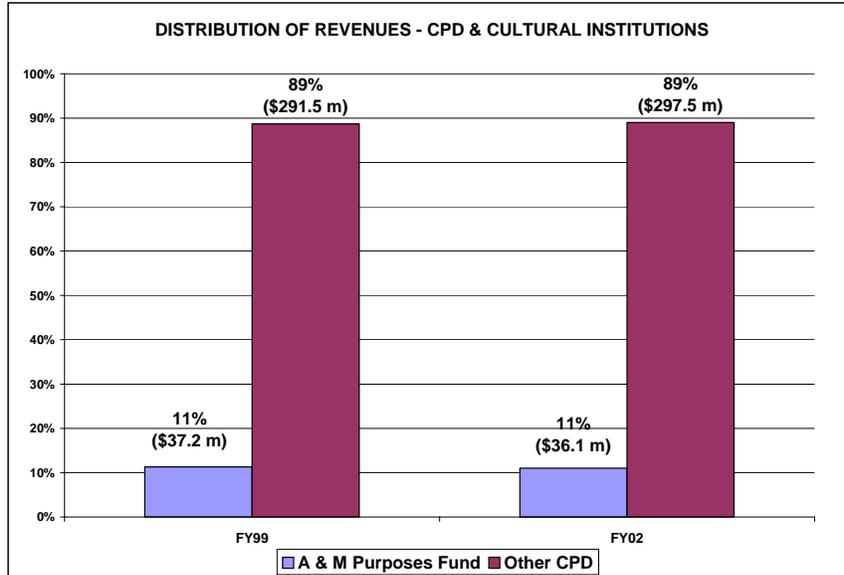
<b>CHICAGO PARK DISTRICT TAX SUBSIDIES TO CULTURAL INSTITUTIONS FY1999 - FY2004</b>				
	<b>FY1999</b>	<b>FY2004</b>	<b>\$ Change FY99-FY04</b>	<b>% Change FY99-FY04</b>
Museum of Science and Industry	\$ 7,897,213	\$ 6,720,562	\$(1,176,651)	-14.9%
Field Museum of Natural History	\$ 7,897,213	\$ 6,720,562	\$(1,176,651)	-14.9%
Art Institute of Chicago	\$ 7,897,213	\$ 6,720,562	\$(1,176,651)	-14.9%
John G. Shedd Aquarium	\$ 5,661,098	\$ 4,815,214	\$ (845,884)	-14.9%
Chicago Historical Society	\$ 2,448,546	\$ 2,083,569	\$ (364,977)	-14.9%
Adler Planetarium	\$ 2,444,819	\$ 2,080,328	\$ (364,491)	-14.9%
Chicago Academy of Sciences	\$ 1,326,761	\$ 1,130,894	\$ (195,867)	-14.8%
DuSable Museum	\$ 868,358	\$ 1,066,088	\$ 197,730	22.8%
Mexican Fine Arts Museum	\$ 827,363	\$ 1,066,088	\$ 238,725	28.9%
<b>GRAND TOTAL</b>	<b>\$ 37,268,584</b>	<b>\$ 32,403,867</b>	<b>\$(4,864,717)</b>	<b>-13.1%</b>

The larger reductions in overall funding followed the CPD's projected \$20 million budget deficit in FY2003. In that budget CPD cut the institutions' aggregate share of property tax revenues by \$1 million. PPRT Revenues fell by \$559,000, a sharp decline that reflected the recession's effects on corporate incomes. Facing a \$30 million deficit in FY2004, the CPD decreased its operating subsidy to the institutions by an additional \$3.1 million.

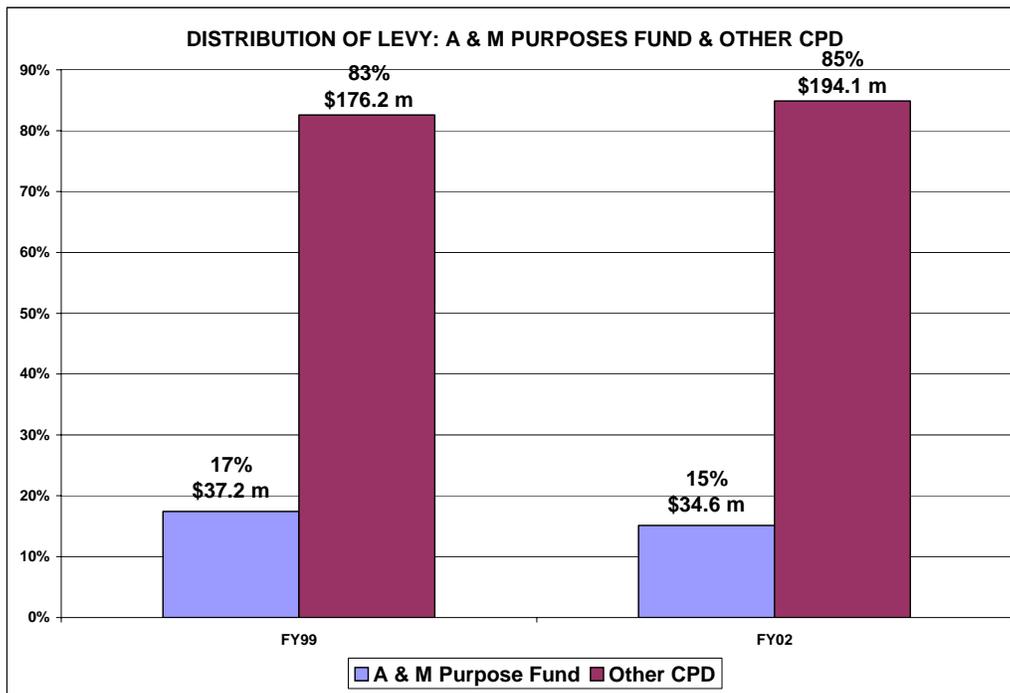


*Chicago Park District Operating Support as a Percentage of Revenues and the Levy*

The next exhibit shows the amount of all CPD revenues earmarked for the A&M Purposes Fund. In both years studied the Fund received 11% of all revenues.



The following exhibit details the proportion of the CPD property tax levy devoted to the A&M Purposes Fund. In FY1999 17% of the total levy went to the Fund; two years later, that figure dropped to 15%.



### *Chicago Park District Capital Support for the Cultural Institutions*

Under legislation enacted in 1971, the Park District may use special bond issues to fund up to 50% of expenditures for certain approved capital improvement projects by the cultural institutions. Under the terms of an agreement between the CPD and the museums, the CPD

reviews proposed projects to ensure that they meet certain standards for design and construction, that they comply with Minority and Women Business Enterprise laws, and that they conform to the pre-determined allocation of proceeds among the member institutions.<sup>18</sup>

The Park District annually appropriates funds for the Aquarium and Museum Improvement Fund to service debt on bonds issued to finance approved capital improvement projects. The exhibit below shows the amount appropriated between FY1999 and FY2004 for all nine institutions.

	<b>Amount Appropriable</b>	<b>Bonds</b>
FY1999	\$ 14,471,800	A & M Bonds: Series of 12/97
FY2000	\$ 39,761,700	A & M Bonds: Series of 10/99
FY2001	\$ 22,836,000	A & M Bonds: Series of 10/99
FY2002	\$ 18,890,000	A & M Bonds: Series of 10/99
FY2003	\$ 15,600,000	A & M Bonds: Series of 10/99
FY2004	\$ 11,000,000	A & M Bonds: Series of 10/99

There are two classes of Aquarium and Museum (A&M) bonds for which the CPD pays debt service costs. For bonds issued prior to 1994, the CPD pays debt service out of its own debt service extension. For bonds issued in 1994 or after, debt service is paid from a separate A&M debt service levy. Both classes are subject to debt service extension limitation under the State's tax cap law. The total amount of the A&M debt service levy rose from \$3.2 million for FY1999 to \$12.3 million in FY2004. The A&M debt service levy is listed as a separate line item on Chicago property tax bills in FY2001 and after.

**A&M Debt  
Service Levy**

FY1999	\$ 3,251,748
FY2000	\$ 4,494,798
FY2001	\$ 4,200,748
FY2002	\$ 12,800,000
FY2003	\$ 12,800,000
FY2004	\$ 12,277,983

<sup>18</sup> Chicago Park District Budget Office, pers. comm., May 15, 2003.

## MAJOR CULTURAL INSTITUTIONS' REVENUES AND SUPPORT

This chapter reviews the finances of the 12 individual institutions studied. Specifically, it examines trends in revenues, including property tax-based government subsidies, between FY1999 and FY2002.

The financial information used in this review is taken from the audited financial statements of the individual institutions. The data comprise financial information for all funds, including Unrestricted, Temporarily Restricted, and Permanently Restricted Funds.<sup>19</sup>

### Institutions Supported by the Chicago Park District

Ten cultural institutions received financial support from the Chicago Park District in FY1999 and FY2002.

#### *Lincoln Park Zoo*

Established in 1868, the Lincoln Park Zoo is one of the oldest zoological institutions in the United States. It is also one of the few remaining American zoos that do not charge admission fees.

In 1995 the Chicago Park District and the Lincoln Park Zoological Society entered into a 29-year privatization agreement, under which the Society assumed responsibility for zoo operations until 2024. The Zoo site and buildings are owned by the CPD and occupied without charge by the Society. The District agreed to pay 50% of designated construction costs, an annual base subsidy of \$5.5 million, and an extra subsidy for the Indian Boundary Park Zoo, which is also operated by the Society. The extra subsidy was to be adjusted in each of the agreement's first seven years based on changes in the Consumer Price Index. The CPD also transferred park concession income to the Society for the operation and maintenance of Zoo facilities and capital expenditures.<sup>20</sup>

Between FY1999 and FY2002 the Lincoln Park Zoo's total support and revenues increased dramatically, by 93.5%. A significant decline in interest income, from \$2.1 million to \$1.4 million, was offset by increases in other categories – particularly by an increase from \$11.3 million to \$32.6 million in contributions and grants. This increase largely reflected the success of the “My Kind of Zoo” fundraising campaign that was launched in 2002. As of June 2005, the campaign had raised \$132.5 million, exceeding its stated goal by \$7.5 million.<sup>21</sup>

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<sup>19</sup> Most of the institutions have adopted formal policies limiting the amount of investment income that may be spent per year. This percentage varies from 5.0% for the Chicago Botanic Garden to 5.5% for the Museum of Science and Industry. Those policies, however, are not uniformly disclosed in audited financial statements. Therefore, the investment income figures included in this chapter represent gross amounts, not actual spendable income.

<sup>20</sup> Lincoln Park Zoological Society, *Financial Statements of the Lincoln Park Zoological Society Years Ended March 31, 2002 and 2001* (Blackman Kallick Bartelstein, 2002); and Chicago Park District Budget Office, pers. comm., May 15, 2003.

<sup>21</sup> Lincoln Park Zoo, “Campaign passes \$132 million,” <http://www.lpzoo.com/support/MKOZ/news.html> (accessed June 15, 2005).

**LINCOLN PARK ZOO: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 6,703,448	\$	<b>5,584,000</b>	<b>-16.7%</b>
<b>CPD Capital Support</b>	\$ 2,814,592	\$	<b>3,000,000</b>	<b>6.6%</b>
Contributions & Private Grants	\$ 7,368,571	\$	29,643,123	302.3%
Membership Fees & Activities	\$ 1,101,733	\$	1,256,724	14.1%
Interest & Other Income	\$ 2,115,622	\$	1,400,375	-33.8%
Visitor Services	\$ 2,881,746	\$	3,601,335	25.0%
<b>Total</b>	\$ 22,985,712	\$	<b>44,485,557</b>	<b>93.5%</b>

**LINCOLN PARK ZOO: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 5,584,000	\$	5,584,000
CPD Other Operating Support	\$ 1,119,448	\$	-
CPD Capital Support	\$ 2,814,592	\$	3,000,000
<b>Subtotal CPD Support</b>	\$ 9,518,040	\$	<b>8,584,000</b>
Total Support & Revenues	\$ 22,985,712	\$	44,485,557
<b>% of Total Support Provided by CPD</b>	<b>41.4%</b>		<b>19.3%</b>

CPD support decreased by \$934,040, from \$9.5 million to \$8.6 million, between 1999 and 2002. Due to the \$21.5 million increase in total support and revenues over that time period, the percentage of Zoo revenues supplied by CPD fell from 41.4% in FY1999 to 19.3% in FY2002.

*Adler Planetarium and Astronomy Museum*

The Adler Planetarium and Astronomy Museum was founded in 1930 as a not-for-profit museum dedicated to the exploration of the universe. The planetarium was the first built in the Western hemisphere.

The Planetarium's land, buildings, and principal operating equipment are owned by the Chicago Park District. In 1976 the Planetarium commenced a 99-year renewable use and occupancy agreement with the Park District. Under the terms of the agreement, the Planetarium pays no occupancy or use costs beyond routine maintenance and repairs.

Adler Planetarium support and revenues totaled \$13.2 million in FY2002, up 5.5% from FY1999. The revenue sources in those years are detailed in the exhibit below.

**ADLER PLANETARIUM: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 2,373,915	\$	2,292,756	-3.4%
<b>CPD Capital Support</b>	\$ -	\$	-	-
Contributions & Grants	\$ 4,359,113	\$	6,148,225	41.0%
Admissions/Visitor Donations/Parking	\$ 2,720,790	\$	2,958,851	8.7%
Membership Fees & Activities	\$ 280,562	\$	174,995	-37.6%
Program Revenues	\$ 75,463	\$	-	-100.0%
Contributed Services of Volunteers	\$ 57,304	\$	50,947	-11.1%
Investment Income	\$ 800,740	\$	337,903	-57.8%
Net Assets Released from Restrictions	\$ -	\$	-	-
Auxiliary Services	\$ 999,651	\$	348,499	-65.1%
Other Income/Miscellaneous	\$ 841,409	\$	883,978	5.1%
<b>Total</b>	\$ 12,508,947	\$	13,196,154	5.5%

The Chicago Park District provided approximately \$2.3 million in support from tax revenues in FY1999 and FY2002 to the Planetarium, which represented 19.0% of all Planetarium support and revenues in FY1999 and 17.4% three years later.

**ADLER PLANETARIUM: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 2,373,915	\$	2,292,756
CPD Capital Support	\$ -	\$	-
<b>Subtotal CPD Support</b>	\$ 2,373,915	\$	2,292,756
Total Support & Revenues	\$ 12,702,566	\$	13,196,154
<b>% of Total Support Provided by CPD</b>	<b>18.7%</b>		<b>17.4%</b>

*Art Institute of Chicago*

The Art Institute, comprising both a museum and a school, was founded in 1893 and housed in a building originally constructed for the Columbian Exposition. Through its museum program, the Art Institute conserves, researches, publishes, exhibits, interprets, and publishes on an internationally significant permanent collection of more than 300,000 art objects. It also acquires art objects to add to its collection and presents temporary exhibitions. The Art Institute's academic program offers undergraduate and graduate curriculums, including programs in visual art, art education, and design.

Total support and revenues for the Art Institute increased by 21% between FY1999 and FY2002, from \$177 million to \$215 million, as shown below.

**ART INSTITUTE: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 7,597,000	\$	7,863,000	3.5%
<b>CPD Capital Support</b>	\$ -	\$	-	-
Contributions & Grants	\$ 59,721,000	\$	61,171,000	2.4%
Admissions/Visitor Donations/Parking	\$ 4,575,000	\$	9,580,000	109.4%
Membership Fees & Activities	\$ 6,237,000	\$	7,696,000	23.4%
Program Revenues	\$ 3,153,000	\$	3,862,000	22.5%
Special Exhibitions	\$ 3,488,000	\$	4,902,000	40.5%
Tuition/Student Program Fees	\$ 39,476,000	\$	51,428,000	30.3%
Investment Income	\$ 25,484,000	\$	32,191,000	26.3%
Auxiliary Services	\$ 23,494,000	\$	30,588,000	30.2%
Sale of Art Objects*	\$ 437,000	\$	-	-100.0%
Other Income/Miscellaneous	\$ 3,468,000	\$	5,715,000	64.8%
<b>Total</b>	\$ <b>177,130,000</b>	\$	<b>214,996,000</b>	<b>21.4%</b>

\*In FY2002 the Sale of Art Objects was reported as non-operating, temporarily restricted revenue in the amount of \$351,000.

CPD operating support for the Art Institute increased from \$7.6 million in FY1999 to \$7.9 million in FY2002. This subsidy represented 4.3% of operating revenues in FY1999 and 3.7% three years later.

**ART INSTITUTE: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 7,597,000	\$	7,863,000
CPD Capital Support	\$ -	\$	-
<b>Subtotal CPD Support</b>	\$ <b>7,597,000</b>	\$	<b>7,863,000</b>
Total Support & Revenues	\$ 177,130,000	\$	214,996,000
<b>% of Total Support Provided by CPD</b>	<b>4.3%</b>		<b>3.7%</b>

*Peggy Notebaert Nature Museum (Chicago Academy of Sciences)*

The Chicago Academy of Sciences was the city's first museum, founded in 1857. The Academy's mission is to promote scientific literacy through hands-on exhibits, nature workshops, lectures, field trips, scientific research, and educational outreach programs. In 1999 the Academy – which formerly operated its museum in the Matthew Laflin Memorial Building in Lincoln Park – opened the newly constructed Peggy Notebaert Nature Museum, also in Lincoln Park.

**CHICAGO ACADEMY OF SCIENCES: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 1,284,000	\$	1,300,000	1.2%
<b>CPD Capital Support</b>	\$ 2,924,000	\$	-	-100.0%
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 231,000	\$	376,000	62.8%
Contributions & Private Grants	\$ 629,000	\$	2,496,000	296.8%
Capital Contributions	\$ 4,265,000	\$	-	-100.0%
Admissions/Visitor Donations/Parking	\$ -	\$	497,000	-
Membership Fees & Activities	\$ 54,000	\$	179,000	231.5%
Educational Programs	\$ 1,239,000	\$	1,587,000	28.1%
Investment Income	\$ 241,000	\$	177,000	-26.6%
Net Assets Released from Restrictions	\$ -	\$	-	-
Net Unrealized Gains on Sale of Investments	\$ 153,000	\$	-	-100.0%
Sponsorships	\$ -	\$	30,000	-
Café/Gift Shop Sales	\$ -	\$	443,000	-
Contracts	\$ 376,000	\$	-	-100.0%
Other Income/Miscellaneous	\$ 268,000	\$	706,000	163.4%
<b>Total</b>	\$ 11,664,000	\$	7,791,000	-33.2%

Although the Chicago Academy of Sciences' audited financial statements show a \$3.9 million decrease in support and revenues from all sources between FY1999 and FY2002, those figures do not accurately capture the institution's financial condition; more than \$7 million of revenues reported in FY1999 were capital contributions related to construction of the Notebaert Museum. If those monies were subtracted from the total amount of support and revenues, the Academy would report a 77% increase in total revenues, from \$4.4 million to \$7.8 million.

CPD support for the Chicago Academy of Sciences is shown in the next exhibit. In FY1999 CPD provided \$1.2 million in operating funds and \$2.9 million in capital project support, totaling 36% of all museum revenues. In FY2002 CPD's support was limited to \$1.3 million for operations, representing 17% of all museum revenues.

**CHICAGO ACADEMY OF SCIENCES (NOTEBAERT MUSEUM): CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 1,284,000	\$	1,300,000
CPD Capital Support	\$ 2,924,000	\$	-
<b>Subtotal CPD Support</b>	\$ 4,208,000	\$	1,300,000
Total Support & Revenues	\$ 11,664,000	\$	7,791,000
<b>% of Total Support Provided by CPD</b>	<b>36.1%</b>		<b>16.7%</b>

*Chicago Historical Society and Subsidiary (Lincoln Park Society)*

The Chicago Historical Society was incorporated in 1857. Its mission is to "interpret and present the history of Chicago to the city's diverse groups through exhibitions, programs and publications that educate and respond to their identified needs and to collect and preserve a variety of objects and records related to Chicago."<sup>22</sup>

<sup>22</sup> Chicago Historical Society, *Consolidated Financial Statements as of June 30, 1999* (Grant Thornton), 1.

An Historical Society subsidiary, the Lincoln Park Society (LPS), was incorporated in 1995. LPS built, owns, and operates a parking garage at 1740 N. Stockton. In FY2002 their facility generated over \$837,000 in revenues for the Historical Society. In 2025 the parking facility will revert to CPD ownership, and all revenues will go to the CPD general fund.

Revenues and support for the Chicago Historical Society declined by 25% between FY1999 and FY2002. Much of that decrease was due to the \$1.9 million reduction in CPD's capital contribution in FY2001.

**CHICAGO HISTORICAL SOCIETY: SUPPORT & REVENUES, FY99 & FY02**

	FY1999	FY2002	% Change
<b>CPD Operating Support</b>	\$ 4,569,452	\$ 2,719,571	-40.5%
<b>CPD Capital Support</b>	\$ -	\$ -	-
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 320,506	\$ 1,778,787	455.0%
Contributions & Private Grants	\$ 11,062,909	\$ 3,393,188	-69.3%
Admissions/Visitor Donations/Parking	\$ 96,328	\$ 1,153,766	1097.7%
Membership Fees & Activities	\$ 273,433	\$ 224,809	-17.8%
Investment Income	\$ 3,214,261	\$ 4,445,465	38.3%
Trust Income	\$ 265,141	\$ 145,392	-45.2%
Auxiliary Services	\$ 479,892	\$ 1,438,494	199.8%
<b>Total</b>	\$ 20,281,922	\$ 15,299,472	-24.6%

**CHICAGO HISTORICAL SOCIETY: CPD SUPPORT**

	FY1999	FY2002
CPD Operating Support	\$ 2,290,863	\$ 2,364,628
CPD Capital Support	\$ 2,278,589	\$ 354,943
<b>Subtotal CPD Support</b>	\$ 4,569,452	\$ 2,719,571
Total Support & Revenues	\$ 20,281,922	\$ 15,299,472
<b>% of Total Support Provided by CPD</b>	<b>22.5%</b>	<b>17.8%</b>

CPD operating support for the Historical Society was approximately \$2.3 million in both FY1999 and FY2002. Capital support fell from \$2.3 million to \$354,943 during that time period, as capital projects neared completion.

*DuSable Museum of African American History*

The DuSable Museum of African American History's multicultural exhibits and programs offer a wide variety of artistic impressions to the community.

The DuSable Museum is housed in a CPD-owned building provided rent-free. The Museum is responsible for renovation and maintenance of the structure.

**DUSABLE MUSEUM: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 1,160,532	\$	1,175,015	1.2%
<b>CPD Capital Support</b>	\$ -	\$	-	-
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 1,934,373	\$	232,416	<b>-88.0%</b>
Contributions & Private Grants	\$ 185,107	\$	518,692	180.2%
Admissions/Visitor Donations/Parking	\$ 53,165	\$	62,876	18.3%
Membership Fees & Activities	\$ 46,155	\$	59,642	29.2%
Program Revenues	\$ 48,706	\$	171,192	251.5%
Special Events	\$ 113,145	\$	132,311	16.9%
Investment Income	\$ 7,189	\$	14,960	108.1%
Net Assets Released from Restrictions	\$ -	\$	-	-
Gift Shop Sales	\$ 100,606	\$	168,657	67.6%
Facility Rental	\$ 156,169	\$	195,493	25.2%
Other Income/Miscellaneous	\$ 4,013	\$	4,681	16.6%
<b>Total</b>	\$ <b>3,809,160</b>	\$	<b>2,735,935</b>	<b>-28.2%</b>

Total support and revenues for the DuSable Museum declined by 28% between FY1999 and FY2002, from \$3.8 million to \$2.7 million. The decrease is due primarily to a \$1.7 million decline in other federal, state and local tax support during that time period.

Total CPD financial support for the DuSable Museum was stable between FY1999 and FY2002, rising by 1.2% or \$14,483. Due to an overall decrease in Museum funding, the percentage of Museum revenues derived from CPD rose from 30.5% in FY1999 to 42.9% in FY2002.

**DUSABLE MUSEUM: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 1,160,532	\$	1,175,015
CPD Capital Support	\$ -	\$	-
<b>Subtotal CPD Support</b>	\$ <b>1,160,532</b>	\$	<b>1,175,015</b>
Total Support & Revenues	\$ 3,809,160	\$	2,735,935
<b>% of Total Support Provided by CPD</b>	<b>30.5%</b>		<b>42.9%</b>

*Field Museum of Natural History*

The Field Museum was incorporated in 1893 as the Columbian Museum of Chicago. It changed its name to the Field Museum of Natural History in 1905. The Museum's mission is the "accumulation and dissemination of knowledge and the preservation and exhibition of objects illustrating art, archaeology, science and history."<sup>23</sup>

Between FY1999 and FY2002, support and revenues for the Museum decreased from \$76 million to \$35 million, or 54.6%. The bulk of that decrease reflects a \$26 million loss in Museum investments due to stock market declines. CPD operating support declined slightly,

<sup>23</sup> The Field Museum, "An Introduction to The Field Museum," 2004, [http://www.fieldmuseum.org/museum\\_info/default.htm](http://www.fieldmuseum.org/museum_info/default.htm).

from \$7.7 million to \$7.4 million. The Museum received almost \$6 million in capital support from CPD in FY1999; that support ended in FY2002 as facilities were completed. However, contributions, admissions, and auxiliary enterprises all reported strong gains, as the following exhibit illustrates.

**FIELD MUSEUM: SUPPORT & REVENUES, FY99 & FY02**

	FY1999	FY2002	% Change
<b>CPD Operating Support</b>	\$ 7,669,003	\$ 7,407,046	-3.4%
<b>CPD Capital Support</b>	\$ 5,972,018	\$ -	-100.0%
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 4,332,163	\$ 3,616,745	-16.5%
Contributions	\$ 10,998,000	\$ 13,348,432	21.4%
Private Grants & Contracts	\$ 2,663,319	\$ 2,765,382	3.8%
Admissions/Visitor Donations/Parking	\$ 5,536,156	\$ 8,004,612	44.6%
Membership Fees & Activities	\$ 1,062,427	\$ 1,936,050	82.2%
Program Revenues	\$ 1,003,500	\$ 1,519,964	51.5%
Investment Income	\$ 19,898,988	\$ (25,844,659)	-229.9%
Investment Return	\$ 11,277,753	\$ 11,989,882	6.3%
Auxiliary Services	\$ 5,329,165	\$ 9,755,322	83.1%
Other Income/Miscellaneous	\$ 870,582	\$ 314,716	-63.8%
<b>Total</b>	\$ 76,613,074	\$ 34,813,492	-54.6%

As the next exhibit shows, the percentage of Museum revenues provided by CPD increased to 21.3% in 2002, due primarily to the drop in investment returns.

**FIELD MUSEUM: CPD SUPPORT**

	FY1999	FY2002
CPD Operating Support	\$ 7,669,003	\$ 7,407,046
CPD Capital Support	\$ 5,972,018	\$ -
<b>Subtotal CPD Support</b>	<b>\$ 13,641,021</b>	<b>\$ 7,407,046</b>
Total Support & Revenues	\$ 76,613,074	\$ 34,813,492
<b>% of Total Support Provided by CPD</b>	<b>17.8%</b>	<b>21.3%</b>

*John G. Shedd Aquarium*

One of the oldest public aquariums in the world, the John G. Shedd Aquarium opened in 1929. It was the first inland aquarium to maintain a permanent exhibition of both freshwater and saltwater fishes. Today, it remains the largest indoor aquarium in the world.

Support and revenues for the Shedd Aquarium dropped nearly \$23 million, or 45%, between FY1999 and FY2002. That decline was caused in part by the Aquarium's loss of more than \$6 million in net realized gains on the sale of investments. Net unrealized gains on the sales of investments declined substantially as well, from \$952,745 in FY1999 to a loss of \$5.1 million three years later.

**SHEDD AQUARIUM: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 5,371,796	\$	5,307,145	-1.2%
<b>CPD Capital Support</b>	\$ 3,866,942	\$	-	-100.0%
<b>Other Federal, State and Local Govt.</b>	\$ 187,978	\$	176,893	-5.9%
Admissions/Visitor Donations/Parking	\$ 11,715,817	\$	14,675,248	25.3%
Membership Fees & Activities	\$ 10,401,201	\$	12,572,196	20.9%
Educational Programs	\$ 418,089	\$	856,585	104.9%
Interest & Other Income	\$ 4,691,543	\$	2,932,092	-37.5%
Net Assets Released from Restrictions	\$ -	\$	-	-
Net Realized Gains on Sale of Investments	\$ 7,996,369	\$	(6,402,976)	-180.1%
Net Unrealized Gains on Sale of Investments	\$ 952,745	\$	(5,093,402)	-634.6%
Fundraising	\$ 507,785	\$	521,872	2.8%
Ancillary Services	\$ 4,107,249	\$	1,850,299	-55.0%
Other Income/Miscellaneous	\$ 117,673	\$	330,621	181.0%
<b>Total</b>	\$ 50,335,187	\$	27,726,573	-44.9%

CPD operating support for the Aquarium was approximately \$5.4 million in both years studied. CPD provided \$9 million in capital support in FY1999 and none in FY2002. The percentage of all Aquarium support and revenues provided by the CPD increased from 18.4% to 19.1%.

**SHEDD AQUARIUM: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 5,371,796	\$	5,307,145
CPD Capital Support	\$ 3,866,942	\$	-
<b>Subtotal CPD Support</b>	\$ 9,238,738	\$	5,307,145
Total Support & Revenues	\$ 50,335,187	\$	27,726,573
<b>% of Total Support Provided by CPD</b>	<b>18.4%</b>		<b>19.1%</b>

*Mexican Fine Arts Center Museum*

The Mexican Fine Arts Center Museum (MFACM) was founded in 1982 to stimulate and preserve the knowledge and appreciation of Mexican culture as manifested both in- and outside of Mexico. The museum develops and conserves a permanent collection of Mexican art, encourages the professional development of Mexican-American artists, and offers arts education programs. It also sponsors special events and exhibits that exemplify the rich variety of visual and performing arts found in Mexican culture.

In 2000 MFACM entered into an agreement with the DuSable Museum of African American History to receive \$1 million of DuSable's \$3 million CPD bond allocation. The MFACM will reimburse the DuSable Museum for those funds out of future CPD bond proceeds or other Museum funds. As of this date, that reimbursement has not yet taken place.

Total support and revenues for the MFACM increased by 27% between FY1999 and FY2002, from \$3.2 million to \$4.2 million.

**MEXICAN FINE ARTS CENTER MUSEUM: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 827,363	\$	1,209,912	46.2%
<b>CPD Capital Support</b>	\$ -	\$	-	-
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 1,190,293	\$	1,102,884	-7.3%
Contributions & Private Grants	\$ 43,293	\$	58,201	34.4%
Admissions/Visitor Donations/Parking	\$ 10,773	\$	15,168	40.8%
Membership Fees & Activities	\$ 33,985	\$	33,254	-2.2%
Program Revenues	\$ 69,514	\$	86,542	24.5%
Interest & Other Income	\$ 580	\$	2,388	311.7%
Unrealized Appr./Depr. from Investments	\$ 35,979	\$	(52,111)	-244.8%
Foundations	\$ 700,909	\$	708,874	1.1%
Corporations	\$ 140,180	\$	569,075	306.0%
Fundraising	\$ 23,697	\$	32,829	38.5%
Gift Shop Sales	\$ 195,509	\$	392,457	100.7%
<b>Total</b>	\$ 3,272,075	\$	4,159,473	27.1%

CPD support for MFACM increased from 25% of all revenues in FY1999 to 29% in FY2002.

**MEXICAN FINE ARTS CENTER MUSEUM: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 827,363	\$	1,209,912
CPD Capital Support	\$ -	\$	-
<b>Subtotal CPD Support</b>	\$ 827,363	\$	1,209,912
Total Support & Revenues	\$ 3,272,075	\$	4,159,473
<b>% of Total Support Provided by CPD</b>	<b>25.3%</b>		<b>29.1%</b>

*Museum of Science and Industry*

The Museum of Science and Industry (MSI), which opened in 1933, was originally constructed as the Palace of Fine Arts for the 1893 Columbian Exposition. One of the oldest science museums in the Americas, MSI was the first in North America to develop hands-on interactive exhibits. Some two million people visit MSI annually, making it one of the 10 most-visited museums in the nation.

MSI income declined by 20.5%, from \$50.9 million to \$40.5 million, between FY1999 and FY2002. CPD provided nearly \$2.9 million in capital funds in 1999 and none in 2002. Major reductions included a \$4.8 million decrease in ancillary services and a \$5.1 million decline in private support.

**MUSEUM OF SCIENCE AND INDUSTRY: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>CPD Operating Support</b>	\$ 8,066,904	\$	7,653,812	-5.1%
<b>CPD Capital Support</b>	\$ 2,884,488	\$	-	-100.0%
Contributions & Private Grants	\$ 15,171,452	\$	10,087,956	-33.5%
Admissions/Visitor Donations/Parking	\$ 6,566,315	\$	8,194,457	24.8%
Membership Fees & Activities	\$ 1,575,514	\$	1,974,773	25.3%
Investment Income	\$ 5,741,394	\$	5,180,186	-9.8%
Net Assets Released from Restrictions	\$ -	\$	-	-
Ancillary Services	\$ 10,341,912	\$	5,538,570	-46.4%
Other Income/Miscellaneous	\$ 651,629	\$	1,906,948	192.6%
<b>Total</b>	\$ 50,999,608	\$	40,536,702	-20.5%

CPD support for MSI fell from \$10.9 million in FY1999, when it constituted 21.5%, of all institutional income, to nearly \$7.7 million in FY2002, 18.9% of institutional income. The discontinuation of nearly \$2.9 million in capital support was the primary cause of this decrease.

**MUSEUM OF SCIENCE AND INDUSTRY: CPD SUPPORT**

	FY1999		FY2002
CPD Operating Support	\$ 8,066,904	\$	7,653,812
CPD Capital Support	\$ 2,884,488	\$	-
<b>Subtotal CPD Support</b>	\$ 10,951,392	\$	7,653,812
Total Support & Revenues	\$ 50,999,608	\$	40,536,702
<b>% of Total Support Provided by CPD</b>	<b>21.5%</b>		<b>18.9%</b>

*Summary: Chicago Park District Support as a Percentage of Institutional Revenues*

In FY1999 the CPD provided \$64.1 million to the 10 institutions listed: \$43.3 million in operating support and \$20.7 million in capital contributions. CPD provided 14.9% of the institutions' total revenue base of \$429.6 million that year.

**CHICAGO PARK DISTRICT SUPPORT FOR CULTURAL INSTITUTIONS FY1999**

	CPD Operating Support	CPD Capital Support	Total CPD Support	All Museum Revenues	% of Total
Adler Planetarium	\$ 2,373,915	\$ -	\$ 2,373,915	\$ 12,508,947	19.0%
Art Institute	\$ 7,597,000	\$ -	\$ 7,597,000	\$ 177,130,000	4.3%
Chicago Historical Society	\$ 2,290,863	\$ 2,278,589	\$ 4,569,452	\$ 20,281,922	22.5%
DuSable Museum	\$ 1,160,532	\$ -	\$ 1,160,532	\$ 3,809,160	30.5%
Field Museum	\$ 7,669,003	\$ 5,972,018	\$ 13,641,021	\$ 76,613,074	17.8%
Mexican Fine Arts Center Museum	\$ 827,363	\$ -	\$ 827,363	\$ 3,272,075	25.3%
Museum of Science and Industry	\$ 8,066,904	\$ 2,884,488	\$ 10,951,392	\$ 50,999,608	21.5%
Notebaert Museum (CAS)	\$ 1,284,000	\$ 2,924,000	\$ 4,208,000	\$ 11,664,000	36.1%
Shedd Aquarium	\$ 5,371,796	\$ 3,866,942	\$ 9,238,738	\$ 50,335,187	18.4%
<b>Subtotal Museums in the Park</b>	<b>\$ 36,641,376</b>	<b>\$ 17,926,037</b>	<b>\$ 54,567,413</b>	<b>\$ 406,613,973</b>	<b>13.4%</b>
Lincoln Park Zoo	\$ 6,703,448	\$ 2,814,592	\$ 9,518,040	\$ 22,985,712	41.4%
<b>TOTAL</b>	<b>\$ 43,344,824</b>	<b>\$ 20,740,629</b>	<b>\$ 64,085,453</b>	<b>\$ 429,599,685</b>	<b>14.9%</b>

Source: FY99 Comprehensive Annual Finance Reports for the Institutions

Three years later, CPD support represented 11.2% of the cultural institutions' total revenues. Most of that decrease was due to a drop in CPD's capital contributions, from \$20.7 million to \$3.4 million. Operating support decreased 2.7% during the period to approximately \$42.2 million.

**CHICAGO PARK DISTRICT SUPPORT FOR CULTURAL INSTITUTIONS FY2002**

	CPD Operating Support	CPD Capital Support	Total CPD Support	All Museum Revenues	% of Total
Adler Planetarium	\$ 2,292,756	\$ -	\$ 2,292,756	\$ 13,196,154	17.4%
Art Institute	\$ 7,863,000	\$ -	\$ 7,863,000	\$ 214,996,000	3.7%
Chicago Historical Society	\$ 2,364,628	\$ 354,943	\$ 2,719,571	\$ 15,299,472	17.8%
DuSable Museum	\$ 1,175,015	\$ -	\$ 1,175,015	\$ 2,735,935	42.9%
Field Museum	\$ 7,407,046	\$ -	\$ 7,407,046	\$ 34,813,492	21.3%
Mexican Fine Arts Center Museum	\$ 1,209,912	\$ -	\$ 1,209,912	\$ 4,159,473	29.1%
Museum of Science and Industry	\$ 7,653,812	\$ -	\$ 7,653,812	\$ 40,536,702	18.9%
Notebaert Museum (CAS)	\$ 1,300,000	\$ -	\$ 1,300,000	\$ 7,791,000	16.7%
Shedd Aquarium	\$ 5,307,145	\$ -	\$ 5,307,145	\$ 27,726,573	19.1%
<b>Subtotal Museums in the Park</b>	<b>\$ 36,573,314</b>	<b>\$ 354,943</b>	<b>\$ 36,928,257</b>	<b>\$ 361,254,801</b>	<b>10.2%</b>
Lincoln Park Zoo	\$ 5,584,000	\$ 3,000,000	\$ 8,584,000	\$ 44,485,557	19.3%
<b>TOTAL</b>	<b>\$ 42,157,314</b>	<b>\$ 3,354,943</b>	<b>\$ 45,512,257</b>	<b>\$ 405,740,358</b>	<b>11.2%</b>

Source: FY02 Comprehensive Annual Finance Reports for the Institutions

As noted previously, the Aquarium and Museum debt service levy is used to fund capital projects at the Museums in the Park. Although this debt service is not included on individual institutions' financial reports, it absorbs a sizable portion of the museums' public funding and should be included in any summation of Park District support for the institutions.

**Institutions Supported by the Forest Preserve District of Cook County**

The Forest Preserve District of Cook County provides financial support from property tax revenues for two cultural institutions: the Chicago Botanic Garden and the Brookfield Zoo.

*Chicago Botanic Garden*

The 385-acre Chicago Botanic Garden in Glencoe opened in 1972. Its mission includes education, research, and the maintenance of extensive horticultural collections in 23 gardens.

The Botanic Garden is owned by the Forest Preserve District and operated by the nonprofit Chicago Horticultural Society under terms of an agreement that expires in 2015. If both parties concur, the agreement can be automatically renewed for a 40-year period.

Between FY1999 and FY2002, total revenues for the Chicago Botanic Garden rose 34%, from \$23.7 million to \$31.7 million, a jump that primarily reflects a \$6.1 million increase in private contributions. Revenues from visitor services and operations also rose by \$1.2 million.

**CHICAGO BOTANIC GARDEN: SUPPORT & REVENUES, FY99 & FY02**

	FY1999		FY2002	% Change
<b>FPD Operating Support</b>	\$ 8,086,000	\$	8,643,000	6.9%
<b>FPD Capital Support</b>	\$ -	\$	-	-
<b>Other Federal, State, &amp; Local Govt.</b>	\$ 2,199,000	\$	2,205,000	0.3%
Contributions & Private Grants	\$ 5,762,000	\$	11,887,000	106.3%
Membership Fees & Activities	\$ 1,966,000	\$	2,256,000	14.8%
Educational Programs	\$ 543,000	\$	1,005,000	85.1%
Investment Income	\$ 1,514,000	\$	1,485,000	-1.9%
Fundraising	\$ 283,000	\$	86,000	-69.6%
Visitor Services*	\$ 2,775,000	\$	3,938,000	41.9%
Other Income/Miscellaneous	\$ 634,000	\$	226,000	-64.4%
<b>Total</b>	\$ 23,762,000	\$	31,731,000	33.5%

\* Includes line item for Gift Shop in FY99

In FY1999 the FPD provided \$8 million, 34% of all Garden revenues, as shown below. In FY2002 the Garden's substantially increased own-source revenue base caused the percentage of revenue provided by the FPD to fall to 27%.

**BOTANIC GARDEN: FPD SUPPORT**

	FY1999		FY2002
FPD Operating Support	\$ 8,086,000	\$	8,643,000
FPD Capital Support	\$ -	\$	-
<b>Subtotal FPD Support</b>	\$ 8,086,000	\$	8,643,000
Total Support & Revenues	\$ 23,762,000	\$	31,731,000
<b>% of Total Support Provided by FPD</b>	<b>34%</b>		<b>27%</b>

*Brookfield Zoo*

The Brookfield Zoo, which opened in 1934, has garnered international attention for using moats and other natural barriers instead of cages. The Zoo also constructed the nation's first indoor Dolphinarium and Tropic World, an indoor immersion rain forest exhibit complete with waterfalls and thunderstorms.

The Brookfield Zoo is owned by the Forest Preserve District and managed by the Chicago Zoological Society under a contract that expires in April 2006, but is due to be renewed automatically for an additional 20 years. All improvements done by the Zoological Society with Forest Preserve funds become FPD property.

Between FY1999 and FY2002, the Zoo reported a 4% decline in support and revenues, a diminishment that totaled \$2.1 million. Some of the decrease represented a reduction in FPD capital support when bond payments concluded. The largest single decrease was in investment income, which fell by \$3.3 million. Revenues from admissions and parking, guest services and contributions, and bequests increased by more than \$1 million.

The FPD reserved \$27.6 million of its General Obligation bond proceeds from 1993 and 1996 to fund capital improvement and renovation projects at the Zoo. In FY1999 proceeds from those bonds totaled \$2.9 million.

**BROOKFIELD ZOO: SUPPORT & REVENUES, FY99 & FY02**

		FY1999	FY2002	% Change
<b>FPD Operating Support</b>	\$	<b>13,706,000</b>	\$ <b>14,116,000</b>	<b>3.0%</b>
<b>FPD Capital Support*</b>	\$	<b>3,715,000</b>	\$ -	<b>-100.0%</b>
<b>Other Federal, State, &amp; Local Govt.</b>	\$	<b>3,775,000</b>	\$ <b>5,940,000</b>	<b>57.4%</b>
Contributions & Private Grants	\$	4,643,000	\$ 4,695,000	1.1%
Admissions/Visitor Donations/Parking	\$	6,366,000	\$ 7,372,000	15.8%
Membership Fees & Activities	\$	4,349,000	\$ 5,098,000	17.2%
Investment Income	\$	2,482,000	\$ (1,151,000)	-146.4%
Visitor Services	\$	13,072,000	\$ 13,850,000	6.0%
Other Income/Miscellaneous	\$	899,000	\$ 961,000	6.9%
<b>Total</b>	\$	<b>53,007,000</b>	\$ <b>50,881,000</b>	<b>-4.0%</b>

\* Includes \$812,000 in renovation bonds

In FY1999 the FPD provided \$13.7 million in operating support and \$3.7 million in capital support, for a total of \$17.4 million, which was 33% of the Brookfield Zoo's total revenue base. That amount decreased in FY2002 to \$14.2 million, or 28 % of the zoo's revenue base, reflecting a \$3 million reduction in capital support.

**BROOKFIELD ZOO: FPD SUPPORT**

	FY1999	FY2002
FPD Operating Support	\$ 13,706,000	\$ 14,116,000
FPD Capital Support	\$ 3,715,000	\$ -
<b>Subtotal FPD Support</b>	<b>\$ 17,421,000</b>	<b>\$ 14,116,000</b>
Total Support & Revenues	\$ 53,007,000	\$ 50,881,000
<b>% of Total Support Provided by FPD</b>	<b>33%</b>	<b>28%</b>

*Summary: Forest Preserve District Support as a Percentage of Institutional Revenues*

As shown below, the FPD provided a total of \$25.5 million to the Garden and the Zoo in FY1999, 33% of these institutions' total revenues.

**FOREST PRESERVE DISTRICT SUPPORT FOR CULTURAL INSTITUTIONS FY1999**

	FP Operating Support	FPD Capital Support	Total FPD Support	All Museum Revenues	% of Total
Botanic Garden	\$ 8,086,000	\$ -	\$ 8,086,000	\$ 23,762,000	34.0%
Brookfield Zoo	\$ 13,706,000	\$ 3,715,000	\$ 17,421,000	\$ 53,007,000	32.9%
<b>TOTAL</b>	<b>\$ 21,792,000</b>	<b>\$ 3,715,000</b>	<b>\$ 25,507,000</b>	<b>\$ 76,769,000</b>	<b>33.2%</b>

Sources: FY99 Comprehensive Annual Finance Reports of the Institutions

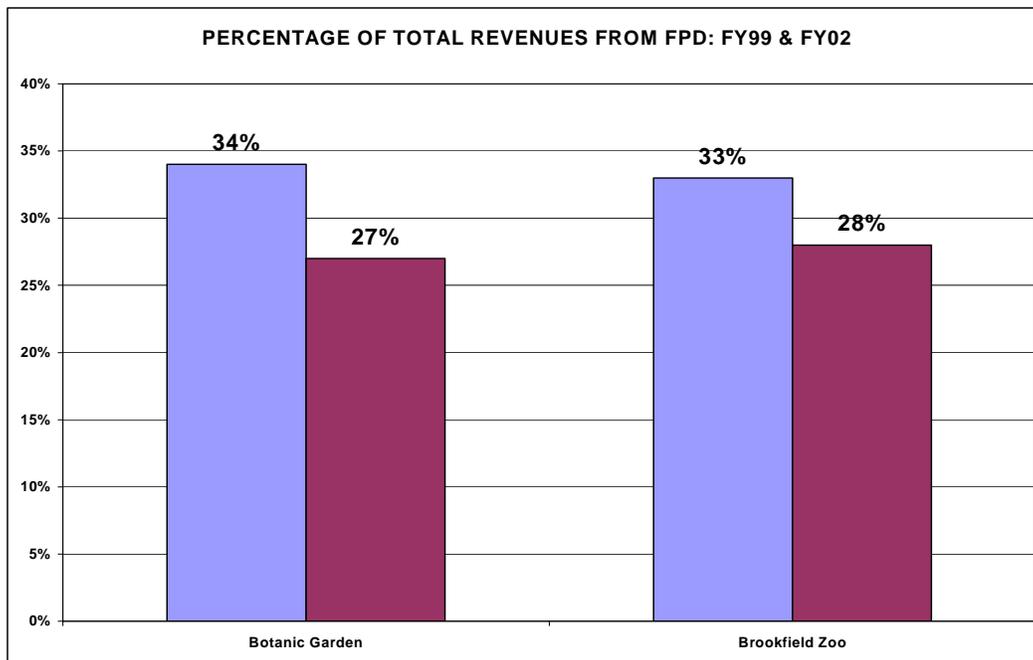
FPD operating and capital support for the Botanic Garden and Brookfield Zoo was reported at \$23 million in FY2002, or 27.5% of all institutional revenues, as shown below.

**FOREST PRESERVE DISTRICT SUPPORT FOR CULTURAL INSTITUTIONS FY2002**

	<b>FPD Operating Support</b>	<b>FPD Capital Support</b>	<b>Total FPD Support</b>	<b>All Museum Revenues</b>	<b>% of Total</b>
Botanic Garden	\$ 8,643,000	\$ -	\$ 8,643,000	\$ 31,731,000	27.2%
Brookfield Zoo	\$ 14,116,000	\$ -	\$ 14,116,000	\$ 50,881,000	27.7%
<b>TOTAL</b>	<b>\$ 22,759,000</b>	<b>\$ -</b>	<b>\$ 22,759,000</b>	<b>\$ 82,612,000</b>	<b>27.5%</b>

Sources: FY02 Comprehensive Annual Finance Reports of the Institutions

The share of the Botanic Garden’s total revenues provided by the FPD declined from 34% in FY1999 to 27% in FY2002, as shown below. This drop primarily reflects a dramatic increase in the Garden’s own-source revenue base. FPD’s share of the Zoo’s total revenues also fell between FY1999 and FY2002, from 33% to 28%, primarily due to reduced capital support as projects were completed.



It must be noted that half of the Forest Preserve District’s 2004 \$100 million General Obligation Bond issue has been designated to fund capital improvement projects at the Zoo and the Botanic Garden. The \$50 million will be divided evenly between the Zoo and the Botanic Garden.

## Total Local Tax-based Support for All 12 Cultural Institutions

In the two fiscal years studied, the 12 institutions' operating support from local governments remained relatively static, decreasing by 0.3%, as shown below.<sup>24</sup>

<b>TOTAL OPERATING SUPPORT TO CULTURAL INSTITUTIONS FROM LOCAL GOVERNMENTS</b>				
	FY1999	FY2002	\$ CHG	% CHG
Chicago Park District	\$ 43,344,824	\$ 42,157,314	\$ (1,187,510)	-2.7%
Cook County Forest Preserve District	\$ 21,792,000	\$ 22,759,000	\$ 967,000	4.4%
<b>TOTAL</b>	<b>\$ 65,136,824</b>	<b>\$ 64,916,314</b>	<b>\$ (220,510)</b>	<b>-0.3%</b>

The combined capital and operating support provided to the cultural institutions by both the CPD and FPD declined from \$92.8 million in FY1999 to \$81.1 million in FY2002. Most of that decrease reflects diminished CPD capital support to the Museums in the Park in FY2002.

<b>TOTAL CAPITAL &amp; OPERATING SUPPORT TO CULTURAL INSTITUTIONS FROM LOCAL GOVERNMENTS</b>				
	FY1999	FY2002	\$ CHG	% CHG
Chicago Park District	\$ 67,337,201	\$ 58,312,257	\$ (9,024,944)	-13.4%
Cook County Forest Preserve District	\$ 25,507,000	\$ 22,759,000	\$ (2,748,000)	-10.8%
<b>TOTAL</b>	<b>\$ 92,844,201</b>	<b>\$ 81,071,257</b>	<b>\$ (11,772,944)</b>	<b>-12.7%</b>

<sup>24</sup> Most of the cultural institutions' support from the Chicago Park District and all of its support from the Forest Preserve District of Cook County is derived from property tax dollars. However, as previously noted, the CPD is required by state statute to provide a small amount of support to the Museums in the Park from personal property replacement tax revenues.

## MODELS OF FINANCIAL SUPPORT FOR CULTURAL INSTITUTIONS

Many state and local governments across the country have developed public funding models that ensure a reliable revenue stream for cultural and scientific institutions, as shown in the exhibit below.

This chapter presents four models of support:

1. Special taxing districts established by local voters to collect and distribute funds;
2. Quasi-governmental agencies awarding grants supported by earmarked tax revenues;
3. Appropriations and/or rent waivers provided to privately owned and operated institutions;
4. Full public ownership.

Model	Institution	Type of Revenue	Total Revenue
Special District	St. Louis Zoo Museum District	0.28% Property Tax	\$60 million (2004)
	Denver Scientific & Cultural Facilities District	0.1% Sales Tax	\$35.7 million (2005)
Quasi-Governmental Body	St. Louis Regional Arts Commission	3.75 % Hotel Tax <sup>25</sup>	\$3.42 million (2005)
	Montana Cultural Trust Fund	15% Coal Tax	\$793,000 (2006-07)
Public Support, Private Institutions	New York City Department of Cultural Affairs	City Appropriation	\$133 million (2006)
	State of Massachusetts/ Zoo New England	State Appropriation	\$6 million (2006)
	Ohio Local County Option	Property Tax	Varied
	San Francisco Grants for the Arts	14% Hotel Tax	\$13 million (2005)
	City of Philadelphia/Philadelphia Museum of Art	City Appropriation	\$2 million (2005)
Publicly Owned & Operated	San Francisco: Asian Art Museum, Fine Arts Museums	Hotel Tax/General City Revenues	N/A (see note, p. 69)

### Special Districts

The St. Louis Zoo Museum District (ZMD) and the Denver Scientific and Cultural Facilities District (SCFD) are special districts that support local cultural institutions.

#### *St. Louis: Metropolitan Zoological Park and Museum District*

The St. Louis Zoo Museum District (ZMD) is a regional district encompassing the City of St. Louis and St. Louis County. ZMD is one of two major sources of public funding for St. Louis' cultural institutions. (The St. Louis Regional Arts Commission (RAC), founded in 1985, is discussed below.) ZMD funds five independent cultural institutions: St. Louis Zoological Park,

<sup>25</sup> This percentage represents the total hotel tax levied. The Regional Arts Commission receives 4/15<sup>th</sup> of all revenue generated by this 3.75% tax. In the case of San Francisco's Hotel Tax, the Grants for the Arts receives 9.1% of total revenue, and the Asian Art Museum and the Fine Arts Museum receive 1.2% and 3.1%, respectively.

St. Louis Art Museum, Missouri Botanical Garden, St. Louis Science Center, and the Missouri Historical Museum. As a condition of the legislation authorizing the District, admission is free to all of the institutions (except the Missouri Botanical Garden, which joined the District in 1983 and charges a reduced \$3 admission fee to residents of the City or County).<sup>26</sup>

The ZMD serves the City of St. Louis, which has a population of 343,279, and St. Louis County, whose population is 1,009,235. (St. Louis is an independent city, separate from the County, so the city and county have a combined population of 1,352,514.)<sup>27</sup>

### *History*

The ZMD was originally conceived by leaders of the St. Louis Zoological Park and the St. Louis Art Museum. In the late 1960s the two institutions were owned and operated by the City of St. Louis. But the city's population was declining, resulting in diminished tax proceeds that left the institutions starved for operating and maintenance funds.

In response, civic leaders began to explore the possibility of creating a new metropolitan taxing authority that would provide a more reliable revenue stream. Seeking a broader support base, the two institutions extended the proposed district to include the suburban Museum of Science and Natural History (later renamed the St. Louis Science Center), operated by the private, not-for-profit Academy of Science. The three institutions successfully lobbied for a new state law, passed in 1970, that created the Metropolitan Zoological Park and Museum District, comprising the City of St. Louis and the County of St. Louis. The state legislation created three subdistricts for the zoo, the art museum, and the science museum. In addition the state law established maximum property tax assessments for each of the subdistricts – 4 cents each per \$100 assessed valuation for the art museum and the zoo, and 1 cent per \$100 assessed valuation for the science museum.

Under state law the new property tax assessment required a referendum that gave voters the opportunity to approve or reject each individual subdistrict. Each subdistrict required a simple majority in both the City and the County to pass. The referendum was held in 1971 and all three subdistricts passed.<sup>28</sup> The new property tax became effective on January 1, 1972.

In 1983 residents of St. Louis and St. Louis County voted to increase the ZMD's maximum tax rates to 8 cents per \$100 assessed valuation for the art museum and zoo, and to 4 cents per \$100 assessed valuation for the science museum. That same year, the botanical garden subdistrict was

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<sup>26</sup> Diane Toroian Keaggy, "Zoo Museum District leads to world-class attractions," *St. Louis Post-Dispatch*, May 21, 2004.

<sup>27</sup> U.S. Census Bureau, June 30, 2005, Annual Estimates of the Population for Incorporated Places over 100,000, Ranked by July 1, 2004 Population: April 1, 2000 to July 1, 2004 (SUB-EST2004-01), <http://www.census.gov/popest/cities/tables/SUB-EST2004-01.xls>; and U.S. Census Bureau, June 30, 2005, Annual Estimates of the Population for Minor Civil Divisions in Missouri, Listed Alphabetically Within County: April 1, 2000 to July 1, 2004, <http://www.census.gov/popest/cities/tables/SUB-EST2004-05-29.xls>.

<sup>28</sup> Unless otherwise noted, information on the Zoo Museum District is gathered from *Alternative Funding Strategies for the Support of Regional Cultural Facilities in Southeast Michigan*, Citizens Research Council of Michigan, June 1993, <http://www.crcmich.org/PUBLICAT/1990s/1993/rpt309-1.pdf>; and Karen Goering, Missouri Historical Museum, pers. comm., June 28, 2005.

added to the ZMD and assigned the 4 cent tax rate. The Missouri Historical Society subdistrict, which also had a maximum tax rate of 4 cents, was approved by voters in 1987. In 1989 a referendum to create a subdistrict for the St. Louis Symphony failed, as did a proposed increase in the tax rate for the science museum and botanic garden. A second attempt to raise the botanic garden's maximum tax rate to 6 cents per \$100 assessed valuation failed in 1993.<sup>29</sup>

*Governance*

The legislation creating the ZMD also created an eight-member board – four members were to be appointed by the City Mayor and four by the County Executive – to set tax assessments and distribute funds. Each subdistrict is governed by a 10-member Board of Commissioners, five each from the County and the City, along with four non-voting advisory members, also equally split between County and City. The subdistricts for the botanical garden and the historical society contract with private nonprofit organizations that operate those institutions.<sup>30</sup>

*Revenue Source*

A property tax levy generates ZMD revenue and has no established sunset clause. In FY2004 85% of all revenues were generated from suburban St. Louis County.<sup>31</sup> As noted above, voters approve the property tax's maximum rate, but the District board determines actual property tax rates for each subdistrict according to budget requests. Each of the five subdistricts receives its own line-item property tax. In 2004 the ZMD property tax line totaled \$0.2756 for every \$100 assessed.<sup>32</sup>

<u>SUBDISTRICT</u>	<u>PROPERTY TAX RATE</u>
Zoological Subdistrict	\$0.0787
Art Museum Subdistrict	\$0.0787
Museum of Science and Natural History Subdistrict	\$0.0394
Botanical Garden Subdistrict	\$0.0394
Missouri History Museum Subdistrict	\$0.0394
<b>TOTAL ZMD</b>	<b>\$0.2756</b>

For City residents the ZMD line item represented 3.77% of the total \$7.3007/\$100 assessed property tax rate. Within St. Louis County, the percentage of property tax represented by the ZMD varies from community to community, depending on the levies of the various local taxing bodies. In the suburban City of Kirkwood, for example, the total residential tax rate was \$6.7788 per \$100 of assessed valuation. So the ZMD's rate of \$0.2756 represented 4 % of the total tax rate.

<sup>29</sup> Karen Goering, pers. comm., June 28, 2005.

<sup>30</sup> Ibid.

<sup>31</sup> Tom Curran, St. Louis County Executive Office, pers. comm., June 23, 2005.

<sup>32</sup> City of St. Louis, *2004 Tax Rate for Real and Personal Property in the City of St. Louis, MO*, January 25, 2005, <http://stlouis.missouri.org/government/proptax/2004taxrate.html>.

### *Distribution of Funds*

Of the ZMD's \$60 million budget, all but \$350,000 in management costs is disbursed to member organizations.<sup>33</sup> As noted above, organizational membership and revenue percentage allocation to each of the five institutions is determined by referendum, within the statutory limits. Tax revenues are collected for each subdistrict and distributed appropriately to the institutions. As shown in the following chart, the art museum and zoo each receive 2/7<sup>ths</sup> of the total ZMD revenues, and the remaining institutions receive 1/7<sup>th</sup> each.<sup>34</sup>

<b><u>CULTURAL INSTITUTION</u></b>	<b><u>ZMD FUNDING (2004)</u></b>
St. Louis Art Museum	\$17.14 million
St. Louis Zoo	\$17.14 million
Missouri Botanical Garden	\$8.57 million
St. Louis Science Center	\$8.57 million
Missouri Historical Museum	\$8.57 million

### *Economic Impact*

A 2004 survey by the St. Louis Regional Chamber and Growth Association found that local cultural institutions reported total revenues approaching \$244 million, and that collectively they had a direct and indirect economic impact of more than \$714 million on the local economy. Combining direct and indirect impact, the 88 cultural institutions surveyed generated nearly 13,800 jobs in the St. Louis area.<sup>35</sup>

More information on the St. Louis Government, the Zoo Museum District, and the ZMD 2004 property tax rates can be found at:

<http://stlouis.missouri.org/citygov/planning/research/data/about/government.html> and  
<http://stlouis.missouri.org/government/proptax/2004taxrate.html>.

### *Denver: Scientific and Cultural Facilities District*

Funding for many Denver-area cultural institutions is provided by the Scientific and Cultural Facilities District (SCFD). The SCFD serves more than 300 organizations in seven counties: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson.<sup>36</sup> The population of the City of Denver is 554,636; the seven counties have a total population of 2.4 million.<sup>37</sup> In 2003 Denver-area cultural activities drew more than 11 million participants – a number that is twice the state's total population.<sup>38</sup>

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<sup>33</sup> J. Patrick Dougherty, Executive Director, Zoo Museum District, pers. comm., June 30, 2005.

<sup>34</sup> Ibid.

<sup>35</sup> "The Gateway Arts," *St. Louis Commerce Magazine*, September 2004, [http://www.stlcommercemagazine.com/archives/september2004/arts\\_1.html](http://www.stlcommercemagazine.com/archives/september2004/arts_1.html).

<sup>36</sup> Unless otherwise noted, information on the Scientific and Cultural Facilities District was gathered from its website, [www.scfd.org](http://www.scfd.org), and financial statements in *2002 SCFD Annual Report*, Scientific and Cultural Facilities District.

<sup>37</sup> U.S. Census Bureau, "Colorado QuickFacts," State and County Quickfacts, 2001 estimates, <http://quickfacts.census.gov/qfd/states/08000.html>.

<sup>38</sup> Deloitte & Touche and the Colorado Business Committee for the Arts, *Culture Counts: The Economic and Social Impact of Metro Denver Culture*, Denver: October 2002.

The SCFD's mission is twofold: it manages the distribution of collected funds, encouraging collaboration between recipient organizations and ensuring that citizens benefit from a diverse offering of scientific and cultural activities, and it also promotes its cultural organizations' social and economic benefits. In addition the SCFD funds "Arts to Zoo," which provides information on SCFD-funded organizations.

### *History*

Denver's special district model dates back to 1982, when the Colorado legislature ended direct state financial support for four regional institutions: the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Natural History (now the Denver Museum of Nature and Science), and the Denver Zoo. The City and County of Denver, a combined jurisdiction, continued its own funding to the institutions but was unable to make up the shortfall. The institutions consequently began charging new or increased admission fees, but this strategy resulted in lower attendance and failed to compensate for the loss of state funds.

Given survey data indicating that a majority of their visitors lived outside the city of Denver, the four institutions developed a plan to create a regional base of public support. The first attempt at a bill that would provide this support, drafted in 1986, failed to include support for the area's major performing organizations. And though the bill included funding for smaller, county-level cultural organizations, those groups' representatives complained that the bill did not reflect their input. As a result, the bill failed to move out of committee in the Colorado state legislature.

The four cultural institutions then hired a paid political consultant who contacted cultural stakeholders throughout the area and helped craft a new bill, which the state legislature introduced and passed in 1987. That bill called for a ballot initiative to establish the SCFD – a special district that would levy a 0.1% sales and use tax. Persuaded by the cultural institutions' aggressive public relations campaign, the Denver metropolitan area electorate passed the referendum on Nov. 8, 1988 with 74.5% approval, despite the fact that Denver was in the midst of the worst regional recession in decades.<sup>39</sup>

The original legislation set July 1, 1996 as the District's expiration date. In 1994, however, the SCFD decided to seek early referendum approval to extend its life until June 30, 2006. The SCFD campaign began in 1993, when the region's foundations sponsored a survey of residents. A political campaign, including petition gathering, began in the spring of 1994. After study, hearings, and modification by the SCFD Board, legislation to place a referendum on the ballot in the fall of 1994 was presented and approved by the Colorado General Assembly. The referendum passed that year with 57% approval. In passing the referendum, Denver's voters provided the most support; voters in Arapahoe, Boulder, and Douglas counties provided levels of support

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<sup>39</sup> Jane Hansberry, "The Scientific and Cultural Facilities District: A Case Study in Regionalism," *Government Finance Review*, December 2000; and Colorado Association of Nonprofit Organizations, "Metropolitan Denver Voters Extend Scientific and Cultural District Facilities District Tax Until 2018," <http://www.canpo.org/scfd.cfm> (accessed June 14, 2005).

higher than the metropolitan region average. The referendum was barely approved in Jefferson County and it lost in Adams County.<sup>40</sup>

In November 2004 voters approved Referendum 4B, to further extend the SCFD. The referendum was approved by 65.7% of the voters and passed in every county in the District.<sup>41</sup> SCFD's sunset provision has now been extended to June 30, 2018.

### *Governance*

A 10-member Board of Directors governs the District. Seven are appointed by the commissioners of the counties in the District (or, in Denver and Broomfield, by the City Council), and three are appointed by the Governor of Colorado. The 2004 referendum stipulates that, if the number of counties in the District increases or falls to an even number, the Governor will appoint an additional member.<sup>42</sup>

### *Revenue Source*

The SCFD's 0.1% sales and use tax – which translates to one cent on every \$10 purchase – is imposed within the boundaries of the seven-county Regional Transportation District. (These boundaries will be revised as of July 1, 2006, under the terms of the 2004 referendum.) The combined sales and use tax in the District varies by municipality. In the City and County of Denver, the combined rate is 7.6%.<sup>43</sup>

### *Distribution of Funds*

By statute, the SCFD distributes at least \$35 million annually. 99.25% of the tax collected is distributed to qualifying organizations, and 0.75% is used for SCFD administration. Of the distributed funds, 95% is unrestricted or formula funding for organizations' operations, programs, or capital needs, to be used as the organizations see fit. The other 5% is labeled "discretionary," and is typically used for program support. (As noted above, new statutory criteria and rules will take effect on July 1, 2006.)

SCFD uses a three-tier distribution system. Tier I currently includes the Art Museum, the Botanic Gardens, the Museum of Nature and Science, and the Denver Zoo. These institutions draw attendees from the seven-county Denver area, and also draw a considerable number of tourists from out-of-state.

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<sup>40</sup> *The Scientific and Cultural Facilities District: Analysis of Voting, Registration and Census Data*, Ciruli Associates, September 2001 (obtainable through <http://www.ciruli.com>).

<sup>41</sup> Colorado Association of Nonprofit Organizations, "Metropolitan Denver Voters Extend Scientific and Cultural District Facilities District Tax Until 2018," <http://www.canpo.org/scfd.cfm> (accessed June 14, 2005).

<sup>42</sup> *Ibid.*

<sup>43</sup> City and County of Denver, Department of Revenue, Treasury Division, *Denver Combined Tax Rates*, revised November 15, 2004, <http://www.denvergov.org/admin/template3/forms/DenverTaxRates.pdf>.

<b>DISTRIBUTION OF SCFD REVENUES TO TIER I INSTITUTIONS (2004)</b>		
<b>Institution</b>	<b>% of Tier I Funding</b>	<b>Dollar Amount</b>
Denver Museum of Nature & Science	33%	\$6,570,151
Denver Zoo	26%	\$5,176,483
Denver Art Museum	26%	\$5,176,483
Denver Botanic Gardens	15%	\$2,986,433
<b>Total</b>	<b>100%</b>	<b>19,909,550</b>

Tier I institutions will receive 59% of total SCFD revenues until July 1, 2006, when the Denver Center for the Performing Arts will join the top tier, resulting in the following funding division:

<b>DISTRIBUTION OF REVENUES TO TIER I INSTITUTIONS 2006</b>		
<b>Institution</b>	<b>Total Revenues</b>	
	<b>&lt;\$38 M</b>	<b>&gt;\$38 M</b>
Denver Museum of Nature & Science	16.38%	16.00%
Denver Zoo	15.87%	15.51%
Denver Art Museum	13.65%	13.33%
Denver Center for the Performing Arts	11.91%	11.64%
Denver Botanic Gardens	7.69%	7.52%
<b>Total</b>	<b>65.50%</b>	<b>64.00%</b>

Tier II currently includes 23 nonprofit regional organizations, each of which is at least two years old and reported operating income of at least \$924,435 in 2004. Tier II organizations share \$9.7 million, 28% of SCFD's total funding. By statute, no single organization may receive more than 33% of the total Tier II funding.

Tier III institutions include more than 280 local not-for-profit organizations – small theaters, community orchestras, art centers, and natural history museums, for example, or smaller

<b>DISTRIBUTION OF SCFD REVENUES TO TIER I INSTITUTIONS (2004)</b>		
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<b>Total</b>	<b>100%</b>	<b>19,909,550</b>

government agencies, such as city departments of art and culture. Tier III organizations apply for grants through their county cultural councils. This tier receives 13% of SCFD's total funding, or \$4.5 million.

#### *Economic Impact*

SCFD stresses the positive impact of the Denver area's cultural institutions on the regional economy. A 2004 report released by the Colorado Business Committee for the Arts and Deloitte

Consulting found that cultural attendance topped 11 million in 2003 – up 2 million in just two years. In 2003 Denver’s cultural institutions generated \$1.31 billion in economic activity, the report estimated. By comparison, the 1999 total impact was \$844 million. Of the 2003 total, \$655 million represented operations and capital spending by the institutions themselves. Event-related spending by cultural audiences – which includes all non-ticket spending, such as hotel stays, restaurant visits, and souvenirs – totaled \$656 million. The organizations paid \$86 million in wages to 9,450 employees, and invested \$84 million in new construction, remodeling, and other capital spending. Cultural tourism – out-of-town visitors who came to the Denver area primarily to enjoy its cultural offerings – brought in \$403 million, the report calculated.<sup>44</sup>

Since the SCFD was created, Pittsburgh, Kansas City, and Salt Lake City have each created cultural taxing districts tailored to the needs and resources of their metropolitan areas. Kansas City’s Metropolitan Culture District, funded by a 1/8<sup>th</sup> cent sales tax that voters approved in 1996, was especially notable because it crossed a state line to include three Missouri counties and one in Kansas.<sup>45</sup> A vote to reauthorize the Kansas City District’s taxing authority and expand it to five counties failed narrowly in November 2004, ending the District’s public funding.<sup>46</sup> Salt Lake County’s Zoo, Arts and Parks tax (known locally as the ZAP tax) was first approved by voters in 1996 and was reauthorized in November 2004 with 71% of the vote.<sup>47</sup>

More information on the SCFD can be found at its website, [www.scfd.org](http://www.scfd.org). Information on the Colorado Business Committee for the Arts is at [www.cbca.org](http://www.cbca.org).

### **Quasi-Governmental Bodies**

In St. Louis public funding is allocated to a number of cultural institutions through a quasi-governmental body, the St. Louis Regional Arts Commission (RAC), which receives revenue directly from a hotel tax and distributes those funds to local institutions. In Montana an advisory committee nominated by two state agencies allocates dedicated funds derived from a tax on coal to arts and cultural organizations around the state.

#### ***St. Louis: Regional Arts Commission***

The St. Louis Regional Arts Commission (RAC) is a vital funding source for small and mid-sized cultural organizations and new initiatives in the St. Louis area. In 2005 \$3.42 million in grants were awarded to 210 nonprofit arts and cultural organizations. Like the Zoo Museum District, the RAC primarily serves the population of the City of St. Louis and St. Louis County.<sup>48</sup>

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<sup>44</sup> Deloitte & Touche and the Colorado Business Committee for the Arts, *The Dividends of Culture: 2004 Study of Metro Denver Culture*, Denver: October 2004, <http://www.cbca.org/econbiannual.asp>.

<sup>45</sup> David A. Ucko, “Science City at Union Station: A New Model for Recreational Learning,” (unpublished, 1992), [http://www.museumsplustmore.com/pdf\\_files/SCarticle.pdf](http://www.museumsplustmore.com/pdf_files/SCarticle.pdf).

<sup>46</sup> Jerry LaMartina, “Area voters reject Bistate 2,” *The Business Journal of Kansas City*, November 3, 2004, <http://www.bizjournals.com/kansascity/stories/2004/09/13/daily15.html>.

<sup>47</sup> Hogle Zoo, “Hogle Zoo History,” <http://www.hoglezoo.org/about/zoo.history.php>.

<sup>48</sup> Unless otherwise noted, information on the St. Louis Regional Arts Commission was gathered from: St. Louis Regional Arts Commission, <http://www.art-stl.com>; and St. Louis Regional Arts Commission, *Regional Arts Commission 2005 Annual Grants*, 2005.

## *History*

After passage of the ZMD ensured substantial public support for the St. Louis area's largest cultural institutions, the rest of the region's arts organizations began advocating for increased public financial support as well. An attempt to pass a 0.625-cent sales tax to fund cultural institutions, tourism, and economic development failed by a slim margin in the County in 1982. That proposal was followed by a modified plan to create a Convention and Tourism Commission and a Regional Arts Commission. That plan, which won the support of the St. Louis Hotel/Motel Association, called for an increase in the hotel/motel room sales tax from 3% to 3.75%. The Convention and Visitor's Commission would receive 11/15<sup>th</sup> of the total amount collected in the City and County, and the Arts Commission would receive the remainder.

After enabling legislation was passed in the spring of 1984, a regional campaign was launched to garner popular support for the tax increase. The campaign had a modest budget, but drew support from most of the cultural institutions in the region and more than 300 volunteers. The increased hotel/motel sales tax was passed by referendum in November 1984. In January 1985 both the Convention and Visitors Commission and the Regional Cultural and Performing Arts Development Commission (now referred to as the Regional Arts Commission) were established to receive funding from the new tax increase. The tax bill that passed did not include a sunset clause.

## *Governance*

The Regional Arts Commission is governed by a 15-member board. Eight members are appointed by the St. Louis County Executive and seven are appointed by the Mayor of the City of St. Louis. All members serve four-year terms. The Commission reports annually to the governing bodies of the City, County, and the State of Missouri. Ten employees oversee the RAC office's daily operations.

## *Revenue Source*

RAC income is derived primarily from its 4/15th share of the hotel/motel tax, which totaled \$14.97 million in FY2004.<sup>49</sup>

## *Distribution of Funds*

The \$3.42 million in grants distributed by the RAC in 2005 was about \$200,000 less than the grants RAC awarded in 2004. The size of individual grants ranged considerably, with the St. Louis Symphony receiving the largest grant of \$671,300 in operating support. (A referendum to add the Symphony to the ZMD was voted down in 1989. In 2004 a citizens' group began a new campaign to create a ZMD subdistrict for the Symphony, but decided against adding the

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<sup>49</sup> St. Louis Convention & Visitors Commission, *Annual Report FY2004*, <http://www.slcvc.com/pdf/annualReport/annualReport04/slcvc04AnnualReport.pdf>.

referendum to the November ballot, citing voters' more pressing concerns about other issues and fears that a second failed referendum would reflect badly on the institution.<sup>50)</sup>

The types of organizations funded by RAC include local arts councils, consortiums, festivals, visual and performing arts schools and academies, literature programs, music and dance concerts, theaters, art galleries, and public art projects. In 2005 grants ranged in size from the \$900 awarded to the City of Maryland Heights Parks and Recreation Department for a community theater production of "The Wizard of Oz" to \$225,500 each for The Repertory Theatre of St. Louis and the Opera Theatre of Saint Louis.<sup>51</sup>

The RAC provides program and operating support grants. Program support is offered in three tiers. Organizations may not request funds at more than one level unless they are applying as part of a consortium seeking support for a collaborative project.

- Program Support I – All grant requests under \$5,000. Eligible organizations include any arts organizations and consortiums whose revenues total less than \$100,000, including staff and other support expenses. Non-arts organizations, such as libraries, social service agencies, and individual college and university departments may also apply if their specific arts program revenues are under \$100,000.
- Program Support II – Arts groups requesting \$5,000 or more. These grant requests may not total more than two-thirds of the total cash expense of the program. To be eligible, an organization's primary purpose must be to produce or present arts or cultural programs. Most of these organizations report annual revenues of less than \$100,000.
- Program Support III – Non-arts groups requesting \$5,000 or more. The restrictions on these grants are the same as type II, except they are targeted at non-arts organizations.

Operating support is given through two-year grants. To be eligible, an organization's primary mission must be producing or presenting arts or cultural programs, and it must present a full season of exhibitions or performances. It must also employ full-time professional management and artistic personnel. Level I grants are given to arts organizations with cash revenues of \$1 million or more, as documented by audited financial reports. These organizations must be at least five years old. Grant requests may not exceed one-third of total program expenses, and organizations requesting these grants may not apply in any other category.

Level II grants are awarded to arts organizations with cash revenues of \$100,000 to \$999,999 for the preceding year. Grant requests may not exceed one-half of total program expenses. These grants are given only to organizations that are at least three years old.

Other RAC grant programs are currently suspended. In the past, those included grants of \$2,000 or less to smaller community or non-professional not-for-profit arts groups; grants to help arts organizations buy technical or office equipment; funds to send board members, staff, or

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<sup>50</sup> "Symphony won't seek Zoo-Museum District vote," *St. Louis Business Journal*, May 14, 2004.

<sup>51</sup> Jen Meyer, Director of Marketing, St. Louis Regional Arts Commission, pers. comm., June 28, 2005.

volunteers to conferences and seminars, and funds to hire consultants. Emergency grants have also been awarded.

### *Economic Impact*

The St. Louis Regional Chamber and Growth Association survey referenced above noted that the region's small and medium-sized arts and cultural organizations – those funded by RAC – had a significant impact on the local economy. Although the impact of smaller organizations was not elaborated in significant detail, the article reporting the survey results stressed the economic contribution made by arts groups throughout the region.<sup>52</sup>

More information on the St. Louis Regional Arts Commission can be found at <http://www.art-stl.com/main.html>.

### ***Montana: Cultural Trust Fund***

A portion of the State of Montana's Coal Severance Tax is allocated to a Cultural Trust Fund. The State uses interest generated from the fund for cultural programs and arts projects.

### *History*

The Coal Severance Tax Trust Fund was created in 1975, after the state's vast reserves of underground coal began to attract the attention and investment of energy companies nationwide. As enacted by the state Legislature, the Coal Severance Tax is imposed on the value of coal as it leaves the mine. Under state law, half of the tax proceeds are paid into three state trust funds, one of which is the Cultural Trust.<sup>53</sup> The interest generated by that trust fund is allocated to cultural and arts organizations around the state.<sup>54</sup>

### *Governance*

Grant proposals are received by a Cultural and Aesthetic Projects Advisory Committee created by statute in 1983. Eight of the committee's 16 members are appointed by the Montana Arts Council, and the other eight are appointed by the Montana Historical Society. Both are state agencies. The Committee makes grant recommendations to the Legislature, which makes final decisions regarding grant allocation. The Cultural Trust program is administered for the State Legislature by the Montana Arts Council.

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<sup>52</sup> "The Gateway Arts," *St. Louis Commerce Magazine*, September 2004, [http://www.stlcommercemagazine.com/archives/september2004/arts\\_1.html](http://www.stlcommercemagazine.com/archives/september2004/arts_1.html).

<sup>53</sup> Jennifer McKee, "To state, coal is gold for revenue," *The Missoulian*, January 5, 2003, <http://www.missoulian.com/bonus/balance/bal40.html>.

<sup>54</sup> Trust fund information was gathered from the Montana Arts Council website, <http://www.art.state.mt.us/> and the Montana Legislative Branch website, [http://leg.state.mt.us/content/publications/fiscal/fr\\_2005/fr\\_e/arts.pdf](http://leg.state.mt.us/content/publications/fiscal/fr_2005/fr_e/arts.pdf).

### *Revenue Source*

As noted above, grant funds are derived from the interest earned on the Cultural Trust, which is supported by income from the state's Coal Severance Tax. The Coal Tax rate currently reaches up to 15% of surface-mined coal's value, depending on the coal's quality. (The majority of coal mined in the state is taxed at the highest rate, resulting in an actual tax rate of 14.8% for all coal mined.) Total revenues from the Coal Tax were estimated at \$33.78 million for FY2005.

By statute, 0.63% of Coal Tax revenues are allocated to the Cultural Trust (officially designated the Capitol Art Protection Trust Fund). Earnings from that trust fund support the Cultural and Aesthetic Project Grants program; \$792,925 was appropriated for the program for Montana's biennial FY2006-07 budget. The Cultural and Aesthetic Grants constitute approximately 19% of the Arts Council budget.

### *Distribution of Funds*

Until 1992 a portion of Coal Tax revenues were deposited into a single special trust, with two-thirds of the investment income earmarked for state parks and one-third for cultural projects. As of July 1, 1992, the Trust's principal was split into two funds, one for state parks and one for cultural programming. In 1997 the State Legislature spent \$3.9 million from the Cultural Trust corpus toward the purchase of Virginia City and Nevada City, two historic Victorian-era "ghost towns" that were once gold-mining settlements. The Legislature voted to replace all but \$500,000 of those funds in 2005.<sup>55</sup>

Every two years, in accordance with the state's biannual budget process, the Cultural Trust allocates its income to nonprofit cultural institutions in the state through the Montana Arts Council. The Council's FY2002 base budget was \$944,409. The FY2005 budget was \$1.6 million.

Under the rules set up by the Legislature, applications for funding must be officially sponsored by a government entity. The application form notes that government sponsorship adds a layer of financial accountability, and also may create closer relationships between local arts organizations and government agencies.

The Trust funds support four categories of award:

- 1) **Special projects**, to expand or enhance current programs or to begin new ones. This category includes funding to form or support partnerships among arts organizations and community groups. This category is also used to fund all new programs or new staff positions.
- 2) **Special projects requesting \$4,500 or less**, limited to organizations that employ no more than one half-time person. The application form instructs reviewers to understand that these smaller organizations have limited experience in grant writing.
- 3) **Operational support**, limited to cultural institutions that are at least two years old and employ paid professional staff. Operational support may also be given to emerging

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<sup>55</sup> Carleen Layne, Montana Arts Council, e-mail to author, July 21, 2005.

organizations, those with no local funding base, those that serve a significant region of the state, “well-managed” organizations facing emergency funding needs, and those “recognized as essential to Montana’s cultural life because of excellence of programming and length of service.”

- 4) **Capital expenditures**, to fund construction or renovation of facilities, to purchase equipment, or to acquire artworks, historic documents, or artifacts.

A fifth category, to fund challenge grants for endowment development, has not been awarded for several years, due to limited funding.

Organizations may apply for funds in only one of the four main categories. Funded organizations must match each grant dollar with one dollar in cash or in-kind goods and services under the first three categories; grants for capital expenditures must be matched on a 3:1 basis.<sup>56</sup>

### *Economic Impact*

A 2003 study sponsored by the Montana Arts Council used data collected from 137 Montana nonprofit arts institutions and found they had a total economic impact of \$85 million on the state economy. The report estimated that cultural and arts institutions drew 260,000 out-of-state visitors, and generated 1,949 full-time jobs paying an average of \$18,275 per job. In total those jobs generated \$35.8 million in payroll income.<sup>57</sup>

Financial information about the Montana Board of Investments, which invests and manages the Coal Tax Trust Fund, is available at <http://www.investmentmt.com/AnnualReport/default.asp>. More information on the Cultural Trust Grants program is available at the Montana Arts Council website, [www.art.state.mt.us](http://www.art.state.mt.us).

### **Public Support for Private Institutions**

A number of city, county and state governments have developed mechanisms to provide public funding to private cultural institutions. This section examines San Francisco’s Grants for the Arts, New York City’s Department of Cultural Affairs, Philadelphia’s funding for the Philadelphia Museum of Art, Ohio’s local-option property tax, and the State of Massachusetts’ partnership with Zoo New England.

#### ***San Francisco: Hotel Tax Fund/Grants for the Arts***

Grants for the Arts (GFTA) is the City and County of San Francisco’s primary source of tax-based funding for local cultural institutions, providing a stable, dependable revenue source for 200-plus nonprofit arts organizations. Its stated mission is “promoting the City through support

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<sup>56</sup> Montana Arts Council, “2006-2007 Montana Cultural Trust Grant Application,” [http://art.state.mt.us/orgs/ca0607/2006\\_7CA72\\_sm.pdf](http://art.state.mt.us/orgs/ca0607/2006_7CA72_sm.pdf).

<sup>57</sup> Montana Arts Council, “The Role of Community-Based Creative Enterprises in Montana’s Economy,” [http://www.art.state.mt.us/resources/resources\\_econnonprofit.asp](http://www.art.state.mt.us/resources/resources_econnonprofit.asp).

of the Arts,” both to enhance San Francisco’s reputation as a tourist destination and to benefit its 791,600 residents.<sup>58</sup>

### *History*

Since its creation in 1961, GFTA has distributed more than \$217 million to hundreds of nonprofit cultural organizations in San Francisco. The agency was the first of its kind in the United States. Today, it boasts that San Francisco arts and cultural organizations receive more money from GFTA than from the National Endowment for the Arts and the California Arts Council combined.<sup>59</sup>

### *Governance*

GFTA was established by a combination of City and State legislation when the Hotel Tax was first introduced. The Mayor of San Francisco appoints 10 people to serve on the Citizen’s Advisory Committee, GFTA’s decision-making body. A five-person staff administers the agency on a day-to-day basis.

### *Revenue Source*

Revenue is derived from a portion of the Hotel Room Tax, also referred to as the Transient Occupancy Tax. When introduced in 1961, the Hotel Room Tax rate was 6 percent. It has since increased incrementally to the current rate of 14 percent, established in August 1996. In FY2004-05, GFTA was allotted \$13 million, or 9.1% of the total collected Hotel Tax revenues of \$143.1 million. As shown in the table below, a substantial portion of the remainder – 17.6% – is also allocated to performing arts centers and cultural institutions.<sup>60</sup> In addition 12.9% of the Unallocated General Fund is spent on cultural and recreational programs.<sup>61</sup> (San Francisco’s City-owned and -operated cultural institutions are described in detail below.)

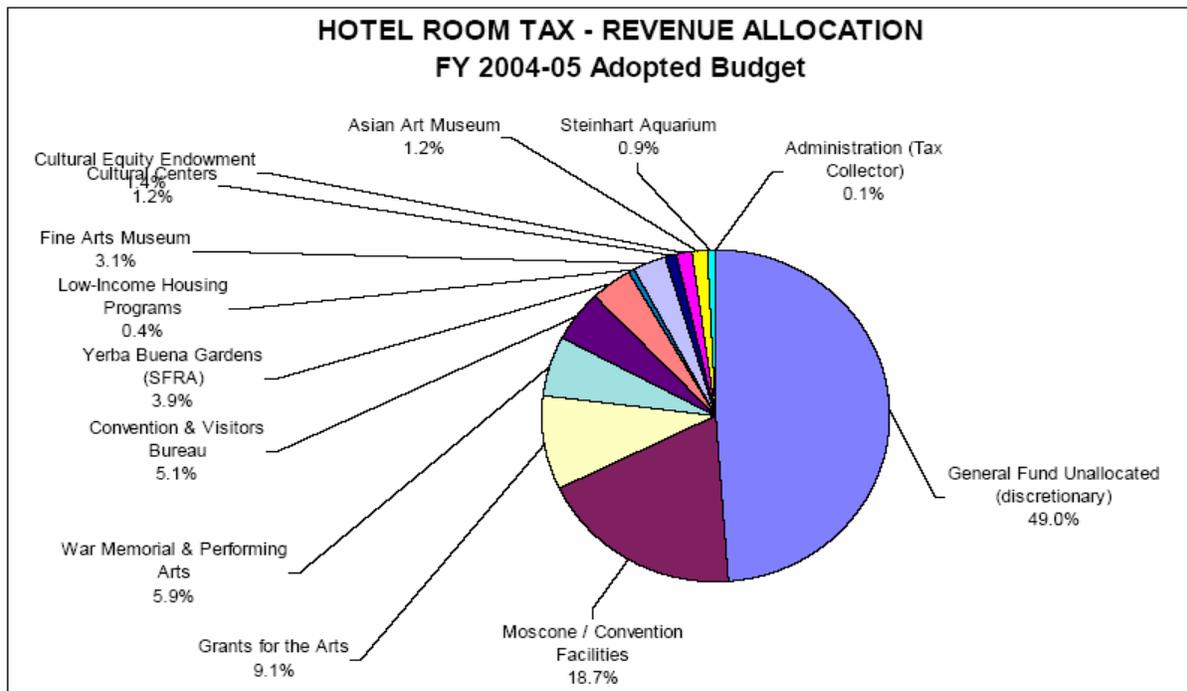
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<sup>58</sup> San Francisco Convention and Visitors Bureau, “Frequently Asked Questions,” <http://www.sfvisitor.org/research/html/FAQ.html#9>.

<sup>59</sup> Unless otherwise noted, information was gathered from the Grants for the Arts website, [www.sfgfta.org/index.html](http://www.sfgfta.org/index.html), and Grants for the Arts San Francisco Hotel Tax Fund, *FY2004-05 Annual Report*, [http://www.sfgfta.org/etc/annual%20report%2004\\_05.pdf](http://www.sfgfta.org/etc/annual%20report%2004_05.pdf).

<sup>60</sup> City and County of San Francisco, Officer of the Controller, “Tax Rate and Revenue Information: Hotel Room Tax,” updated April 2005, [http://www.ci.sf.ca.us/site/uploadedfiles/controller/budget\\_information/taxrev/Hotel\\_0504.pdf](http://www.ci.sf.ca.us/site/uploadedfiles/controller/budget_information/taxrev/Hotel_0504.pdf).

<sup>61</sup> Todd Rydstrom, Director of Budget and Analysis, Controller’s Office, City and County of San Francisco, pers. comm., July 5, 2005.



**Graph prepared by the Office of the Controller, San Francisco**

In 1984 the GFTA began administering the Voluntary Arts Contribution Fund (VACF), which allows San Francisco property taxpayers to add a tax-deductible contribution of \$5 or more to their biannual tax payments. Over the past 20 years, the VACF has distributed \$1 million to smaller arts organizations for capital improvements, facilities maintenance, and equipment.

#### *Distribution of Funds*

Over 96% of GFTA revenue is used directly to support the arts. Expenditures in FY2004 and FY2005 totaled \$12,957,614. GFTA grants are primarily designed to provide a consistent source of funds for general operating expenses. Although grantees may use up to 15% of their grants for capital expenses, that option is rarely used.

The GFTA determines funding levels on a progressive basis. The fund provides general operating funding based on a flexible percentage of annual expense budgets, ranging from at least 15% of operations spending for small organizations to approximately 2.5% of the expense budgets for the largest groups. Nearly 70% of the funds go to small and midsize organizations that reflect a wide range of disciplines and cultures, though the city's largest institutions do receive substantial grants. For example, the San Francisco Opera received almost \$700,000 last year, and the San Francisco Symphony received \$620,000. Public workshops are held annually to explain the Fund's application process and distribute forms to new applicants.

Funds are distributed on a reimbursement basis. GFTA staff review applications, make site visits, and consult experts in the field, including critics and other funders. They then present evaluations to the Citizens Advisory Committee. In addition, public meetings are held twice a

year to allow applicants to present their organizations' needs directly to the Advisory Committee. The committee makes its formal recommendations to the Mayor, and groups receive award notifications in August. Funded organizations must sign a contract, and must notify the Fund of their progress. New grant recipients must attend a workshop on how to file reimbursement requests correctly.

### *Economic Impact*

Providing \$20 per capita to the nonprofit arts, San Francisco provides more support on that basis than does any other city in the country.<sup>62</sup> The San Francisco Convention and Visitors Bureau reports the city had 15.1 million visitors in 2004, generating \$6.7 billion in total local expenditures.<sup>63</sup> A 2004 report commissioned by the California Arts Council estimated that San Francisco's not-for-profit arts organizations generated a total of \$1.17 billion – a substantial portion of the \$5.4 billion economic impact attributed to the nonprofit arts sector statewide.<sup>64</sup>

Information on the Hotel Room Tax can be found at [http://www.ci.sf.ca.us/site/uploadedfiles/controller/budget\\_information/taxrev/Hotel\\_0504.pdf](http://www.ci.sf.ca.us/site/uploadedfiles/controller/budget_information/taxrev/Hotel_0504.pdf). Information on Grants for the Arts may be found at [www.sfgfta.org](http://www.sfgfta.org).

### *New York City: Department of Cultural Affairs, Cultural Institutions Group*

New York City's major vehicle for providing government support to the arts is its Department of Cultural Affairs (DCA). The department claims to be the largest cultural funding agency in the nation, a total operating budget of \$133.1 million for FY2006 and a capital budget of more than \$836 million for the next four years. (By comparison, the U.S. House of Representatives recommended an FY2006 budget of \$131.26 million for the National Endowment for the Arts.<sup>65</sup>) The bulk of the Department's budget for operating expenses – \$107.7 million in FY2006 – directly subsidizes the operations of the Cultural Institutions Group (CIG), 34 independent, privately operated cultural institutions housed in City-owned buildings or on City-owned property.

A second level of funding supports more than 600 cultural organizations that receive money for specific cultural programs. In FY2006 about \$14.5 million of DCA's \$21.7 million program budget is earmarked for 173 "line-item" organizations, so called because their funding awards appear as separate line items in the City budget. An additional \$1.8 million is awarded through a competitive process. In FY2005 some 380 groups received competitive funds.<sup>66</sup>

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<sup>62</sup> John Kreidler, "Health Check: San Francisco Arts at the Beginning of a New Century," San Francisco Planning and Urban Research Association, [http://www.spur.org/documents/001101\\_article\\_01.shtm](http://www.spur.org/documents/001101_article_01.shtm).

<sup>63</sup> San Francisco Convention & Visitors Bureau, "San Francisco Visitor Industry Statistics," <http://www.sfcvb.org/research/>.

<sup>64</sup> California Arts Council, *The Arts: A Competitive Advantage for California II, The Economic Impact of Nonprofit Arts and Cultural Organizations in California*, April 2004, 56, <http://www.cac.ca.gov/files/eis-fulleconomicimpactreport.pdf>.

<sup>65</sup> National Endowment for the Arts, "House of Representatives Increases Budget for National Endowment for the Arts," press release, May 24, 2005, <http://arts.endow.gov/news/news05/HouseBudget.html>.

<sup>66</sup> New York City Department of City Planning, <http://home.nyc.gov/html/dcp/html/census/popdiv.html>.

During the City's budget adoption process, City Council members may designate organizations to receive special funding. These grants, known as "member items," may be added on to grants awarded to CIG institutions or "line-item" organizations, or may be given as stand-alone grants to other New York City cultural groups. In FY2006 council members awarded a total of \$8.6 million in member-item funding to cultural groups.

Capital funds support design and construction projects and major equipment purchases at the 34 CIG institutions and at cultural facilities throughout the five boroughs. In FY2006 the agency's capital budget will be used to support projects at 161 cultural organizations, including many CIG members.

### *History*

The public-private partnership between the City's and the CIG institutions dates back to 1869, when state legislation authorized the City to construct the American Museum of Natural History, and to allow the structure to be used by the private, nonprofit organization that had been created to acquire and administer the museum's collection. State initiatives authorized the City's relationship with many of the oldest institutions in the group, such as the Metropolitan Museum of Art. In the 1960s and 1970s, the City began to expand its public-private partnerships significantly as part of an effort to preserve historic structures and offer a wider range of cultural options to its historically underserved communities.

### *Governance*

In 2002 New York Mayor Michael Bloomberg appointed Kate D. Levin as Commissioner of the DCA. The mayor also appoints the members of the Cultural Affairs Advisory Commission, as mandated by the City Charter. The Commission includes at least 15 and no more than 21 members, and must include the current head of the CIG and the head of one of the borough arts councils. The Commission advises the Mayor and Commissioner on priorities and allocation of resources.

### *Revenue Source*

As noted above, financial support for the DCA is provided by line-item appropriations in the City budget, as approved by the City Council. The City's 2006 budget calls for the distribution of \$133 million to cultural institutions throughout the five boroughs. This represents an 8.7% increase over FY2003.<sup>67</sup>

### *Distribution of Funds*

The amount of DCA financial support made available to CIG institutions varies according to total City revenues and reflects negotiated operating agreements with each member organization, some dating back several decades.<sup>68</sup>

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<sup>67</sup> Alliance for the Arts, [www.allianceforarts.org](http://www.allianceforarts.org).

<sup>68</sup> Jonathan Mandell, "Arts Funding 101," *The Gotham Gazette*, July 19, 2005, <http://www.gothamgazette.com/print/1485>.

### *Economic Impact*

A number of analyses by local organizations have underscored the economic impact of New York City's cultural institutions. The Alliance for the Arts estimates that nonprofit cultural institutions create more than \$5.7 billion in economic benefits for the city, and indirectly support \$8.8 billion in the for-profit cultural sector. The group reports that cultural institutions generate local tax revenues of more than \$2 for every dollar they receive in city funding.<sup>69</sup> The group further estimates that DCA's capital spending leverages three dollars in private and other government funding for every city dollar spent. From 1997 to 2002, the group reports, capital expenditures for the city's nonprofit cultural institutions totaled \$1.8 billion, and generated \$2.3 billion in total economic impact, including 2,255 full-time equivalent jobs in each of the six years studied.<sup>70</sup>

Individual museum-sponsored surveys provide further measures of the economic impact of local cultural institutions. For example, the Metropolitan Museum of Art reports that its 2003 special exhibition *El Greco* generated a combined \$345 million in spending in New York City through its three-month run. The exhibition attracted 574,000 visitors, nearly three-quarters of them from outside New York City. Average per person expenditures in the city by out-of-town visitors were estimated at \$559 for food, lodging, and entertainment and another \$274 for other purchases. The Museum estimated that those purchases generated \$14.5 million in direct tax benefits to New York City and State.<sup>71</sup>

More information on the Department of Cultural Affairs can be found at [www.nyc.gov/html/dcla/home.html](http://www.nyc.gov/html/dcla/home.html). The Mayor's Executive Budget proposal for FY2006 is available at [www.nyc.gov/html/omb/pdf/mm5\\_05.pdf](http://www.nyc.gov/html/omb/pdf/mm5_05.pdf).

### ***Philadelphia: Philadelphia Museum of Art***

The Philadelphia Museum of Art, a private nonprofit corporation, also administers the Rodin Museum and two historic houses – Mount Pleasant and Cedar Grove – in Fairmount Park. Under the terms of its agreement with the Museum, the City of Philadelphia owns and maintains those buildings, which stand on city parkland, and provides about \$2 million annually in operating funds, roughly 5% of the Museum's \$41 million annual operating budget. The City also pays for the Museum's utilities, which cost another \$2 million each year. In 2000 the City

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<sup>69</sup> *Cultural Capital: Investing in New York's Economic and Social Health*, McKinsey & Company (for the Alliance for the Arts), April 2002, [http://www.allianceforarts.org/cult\\_cap.pdf](http://www.allianceforarts.org/cult_cap.pdf); and Neil Scott Kleiman, "The Creative Engine," ed. Kristal Brent Zook, Center for an Urban Future, November 11, 2002, [http://www.nycfuture.org/content/reports/report\\_view.cfm?repkey=90&area=ecopol](http://www.nycfuture.org/content/reports/report_view.cfm?repkey=90&area=ecopol).

<sup>70</sup> Catherine Lanier and others, *Culture Builds New York: The Economic Impact of Capital Construction at New York City Cultural Institutions*, Alliance for the Arts, 2003, <http://www.allianceforarts.org/research/culturebuildsny.pdf>.

<sup>71</sup> The Metropolitan Museum of Art, "\$345 million economic impact on New York City and New York State generated by Metropolitan Museum's special exhibition *El Greco*," press release, February 17, 2004, <http://www.metmuseum.org/news/newspressrelease.asp?PressReleaseId={2FD11F5E-277C-42F8-8EC9-CB52E4DF84C7}>.

and the Museum jointly acquired the Perelman Building, which is being renovated and expanded and will open in 2007.<sup>72</sup>

### *History*

The Museum was founded in 1876 as a part of the Centennial Exposition of 1876; it moved to its present home, in Fairmount Park, in 1928. The land and building have been owned by the City since that time.

### *Governance*

The Museum is administered by an independently nominated and approved Board of Trustees.

### *Revenue Source*

The Museum receives an annual appropriation of unrestricted operating funds from the City of Philadelphia. City funding for capital improvements is approved on a per-project basis. Over the past few years, the City's operating subsidy has been threatened by budget cutbacks. The city budget called for a \$2 million appropriation for FY2006, down \$250,000 from FY2004. Mayor John F. Street's proposed budget for FY2005 called for a \$4.5 million reduction in the City's total funding for the arts, including elimination of the art museum's support. A later compromise reduced the total cuts to \$1 million, and restored \$2 million for the art museum. Similar cuts were proposed for FY2006.<sup>73</sup> While funds for the coming fiscal year were restored, the city's five-year financial plan calls for art museum funding to fall to \$500,000 by FY2010.<sup>74</sup> In July 2005 the Museum of Art announced a \$2 increase in its base admission fees – the first increase in four years.<sup>75</sup>

In February 2005 Mayor Street announced his support of a public endowment fund for arts and culture organizations throughout the region. Though no funding source has yet been identified, Mayor Street has recognized that the organizations would need \$50 million to \$100 million annually.<sup>76</sup>

### *Distribution of Funds*

The Museum receives its operating subsidy as a line item in the City budget.

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<sup>72</sup> Philadelphia Museum of Art website, [www.philamuseum.org](http://www.philamuseum.org); Robert Rambo, Museum Chief Financial Officer, pers. comm., August 10, 2005.

<sup>73</sup> Greater Philadelphia Cultural Alliance, "Arts and Culture Advocates, continue to DO ALL YOU CAN, AND THEN SOME," June 2004, <http://www.philaculture.org/advo/June04.htm>.

<sup>74</sup> "City of Philadelphia, Five-Year Financial Plan, Fiscal Year 2006-Fiscal Year 2010," (presented by Mayor John F. Street), January 5, 2005, [http://www.phila.gov/pdfs/FY06-FY10\\_Five\\_Year\\_Plan.pdf](http://www.phila.gov/pdfs/FY06-FY10_Five_Year_Plan.pdf).

<sup>75</sup> "Art Museum to increase its admission fees," *Philadelphia Inquirer*, July 7, 2005, <http://www.intix.org/news.php?ArticleID=1033>.

<sup>76</sup> Tom Ferrick Jr., "Cultural treasures need temporary tax," *Philadelphia Inquirer*, March 9, 2005, <http://www.intix.org/news.php?ArticleID=439>.

### *Economic Impact*

As is the case in other metropolitan areas, arts and culture organizations have a substantial economic impact on Philadelphia. A 1998 study by the Pennsylvania Economy League estimated that the region's nonprofit cultural sector supported \$564 million in spending, 11,000 jobs, and more than \$16 million in state and local tax revenue.<sup>77</sup>

### ***Ohio: Local Option Tax Support***

Under the Ohio Constitution, government units are prohibited from levying property taxes that, in the aggregate, exceed 1% of true value. This is known in state law as the "10-mill limitation." However, the Ohio Revised Code authorizes local county boards to approve for referendum tax levies in excess of 10-mill for a long list of specific purposes, including "the provision and maintenance of zoological park services and facilities" and "the maintenance and operation of a free public museum of art, science, or history."<sup>78</sup> This levy increase must be approved by a majority of voters in a county-wide election.

Ballot initiatives under this provision of state law, which was passed by the Legislature in 1979, have rarely won voter approval. In 2004 three such ballot initiatives were advanced. Each asked voters to approve tax increases to fund local cultural institutions, two in Franklin County (Columbus) and one in Cuyahoga County (Cleveland). A similar ballot initiative was put forward in Hamilton County (Cincinnati).

### *History*

The ballot measure in Franklin County was proposed by the Center of Science and Industry (COSI) in Columbus, Ohio, which sought a new, 0.5-mill levy that would have raised \$12.4 million annually. To conform to the language in the state law that permits levy increases for free public museums, COSI officials promoted the measure as a "Proposal for a Free COSI," offering the tax increase as a trade-off for free admission for Franklin County residents. (As of August 2005, admission fees were \$12 for adults, \$10 for seniors, and \$7 for children.)<sup>79</sup> COSI's independent decision to seek voter approval for increased funding was questioned by some members of the local arts community. The Greater Columbus Arts Council – a not-for-profit private organization funded primarily by revenues from Columbus' hotel-motel tax – argued that increased county funds were also needed by the Columbus Museum of Art and the Franklin Park Conservatory, and urged a 0.75-mill levy.<sup>80</sup>

Franklin County commissioners unanimously approved placing the museum's levy request on the ballot. However, critics of Issue 27 noted COSI's decision to move to a much larger new \$125 million building on the Scioto riverfront in 1999, a move that increased costs and

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<sup>77</sup> "The Social and Economic Impact of the Arts on Philadelphia," *Social Impact of the Arts Project*, University of Pennsylvania, [www.ssw.upenn.edu/SIAP/culfund.pdf](http://www.ssw.upenn.edu/SIAP/culfund.pdf).

<sup>78</sup> *Ohio Revised Code*, Title LVII, § 5705.19.

<sup>79</sup> Columbus Center of Science and Industry, "Proposal for a Free COSI," COSI Columbus Levy Information, [www.cosi.org/levy](http://www.cosi.org/levy).

<sup>80</sup> Suzanne Gravette Acker, "Ray Hanley sounds off," *Columbus Monthly*, May 2004.

diminished attendance.<sup>81</sup> Before the election, officials from local arts and cultural organizations warned that a defeat might negatively affect the chances for future levy proposals.<sup>82</sup> The measure was defeated 62% to 38%.<sup>83</sup>

A month after the levy defeat, COSI announced plans to cut its budget by nearly \$5 million, including layoffs of nearly 70 employees, closing two days a week and shutting down one wing of its riverfront facility. In May 2004 the Greater Columbus Arts Council turned down COSI's funding request, ending 30 years of support. The loss of the expected \$300,000 in Arts Council funding represented about 3% of the center's post-referendum \$10 million operating budget. Funding was not restored in the council's list of grantees announced on May 24, 2005.<sup>84</sup>

In May 2004 the Columbus Zoo announced plans to launch a campaign for a .75-mill replacement levy referendum, which would appear on the November 2004 ballot. A zoo levy – specifically authorized under state law as an exception to the 10-mill limit – of 0.25-mill was first passed by Franklin County voters in 1985, and was increased to 0.5 mill in 1990 and 0.75 mill in 1994. The 2004 request to reauthorize the \$12.5 million levy passed with 67% of the vote. The Zoo has announced plans to use the majority of the new levy proceeds to improve and expand its exhibits.<sup>85</sup>

In Cuyahoga County civic leaders sought to win voter approval of a \$21 million annual increase in the property tax levy under an exception to the 10-mill limit that authorizes county referendums to fund economic development initiatives. Under the plan, half the increase would be earmarked for local arts groups, while the other half would be reserved for more traditional economic development. The campaign was primarily organized by the Community Partnership for Arts and Culture (CPAC), a Cleveland-based arts research, service, and policy group. The campaign, however, was hampered by a provision in state law that prohibits ballot initiatives on economic development from singling out any one sector. So the ballot language made no mention of arts and culture. The proposal, titled "Issue 31" on the March 2004 ballot, was defeated 54 % to 46 %, but was called a "moral victory" by local arts leaders.<sup>86</sup> In May 2004 the Ohio General Assembly passed a bill sought by the campaign's organizers, which authorizes the creation of regional taxing districts to support cultural organizations and institutions.<sup>87</sup>

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<sup>81</sup> "Cosi needs hand from taxpayers," *Business First of Columbus*, editorial, March 1, 2004, <http://columbus.bizjournals.com/columbus/stories/2004/03/01/editorial1.html>.

<sup>82</sup> Eileen Coyne, "Arts groups are weighing pros, cons of COSI levy," *Business First of Columbus*, February 13, 2004, <http://columbus.bizjournals.com/columbus/stories/2004/02/16/story8.html>.

<sup>83</sup> Jim Woods, "Free COSI admission fails to sway levy voters," *Columbus Dispatch*, <http://www.dispatch.com/election/election-local.php?story=dispatch/2004/03/03/2195828.html>.

<sup>84</sup> "GCAC Awards \$1,651,544 to Area Arts Organizations," Greater Columbus Arts Council, news release, July 21, 2005, [http://www.gcac.org/news/breaking.asp?int\\_newsID=113](http://www.gcac.org/news/breaking.asp?int_newsID=113).

<sup>85</sup> Columbus Zoo and Aquarium, *2004 Annual Report*, <http://www.colszoo.org/news/rept2004/dir.htm>.

<sup>86</sup> Thomas B. Schorgl, President and CEO, Community Partnership for Arts and Culture, Cleveland, OH, pers. comm., July 15, 2005; and Carolyn Jack, "Arts Advocates Find Good News in Defeat," *The Plain Dealer*, March 4, 2004, <http://www.cleveland.com/artseconomy/index.ssf?/artseconomy/more/1078396484141820.html>.

<sup>87</sup> Carolyn Jack, "Bill would let county set up arts tax district," *The Plain Dealer*, May 28, 2004, <http://www.cleveland.com/artseconomy/index.ssf?/artseconomy/more/1085736846222791.html>.

A third referendum held in Hamilton County was similar in intention to those in Franklin and Cuyahoga counties, as it provided capital funds to the Cincinnati Museum Center. But the referendum was authorized under a different section of state law.

The Cincinnati Museum Center's history of public funding began in May 1986, when voters in Hamilton County approved a \$33 million bond issue to fund a renovation that would turn the abandoned Art Deco Union Terminal into the Cincinnati Museum Center. The State of Ohio contributed a grant of \$8 million and the City of Cincinnati contributed \$3 million to create the museum center, which now includes the Children's Museum, the Museum of Natural History and Science, the Omnimax theater, and the Cincinnati History Museum.

The Museum Center opened in 1990, and now attracts nearly 1.5 million visitors each year. Today, the Cincinnati Museum Center earns over 70% of its income through admissions and other self-generated income.

In 2002 museum officials were facing an "economic perfect storm," according to Museum Center President/CEO Douglass W. McDonald. Evening attendance dropped drastically after civil unrest in a nearby neighborhood, and the lagging economy prompted the museum to tap its endowment to cover operating deficits. So the Center began seeking a new, reliable funding structure. As one of its first steps, the Center commissioned a third-party economic impact study, which showed that the Museum Center generated more than 1,100 jobs and more than \$75 million in economic impact throughout the region.

In June 2003 after months of planning, the Center formally requested a new levy of \$3.6 million that would be imposed annually for five years. Because the City and County maintain an ownership interest in the Center, the Hamilton County Board of Commissioners was empowered to propose this increase as a levy for the "maintenance, operation and repair of a public building." Under this legal provision, the County will control and expend the funds on the Center's behalf.<sup>88</sup>

As required by county ordinance, the county ordered a thorough financial audit of the Museum Center by an outside firm. In October 2003 the independent auditors found the levy request was both justifiable and necessary, and the County's tax levy review committee unanimously recommended the request to the Board of Commissioners. In December the County Board voted 3-0 to place the issue on the March ballot. At the time, the Center stressed that the \$3.6 million request was the smallest to go before voters in 50 years. Following an aggressive public relations campaign and strong grassroots efforts, the levy request – known as Issue 11 – passed in March 2004 by a vote of 64% to 36%.<sup>89</sup>

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<sup>88</sup> Robert H. Johnstone, Hamilton County Assistant Prosecuting Attorney, pers. comm., August 10, 2005.

<sup>89</sup> "Museum Center Levy Passes," *WCPO.com (Cincinnati)*, March 2, 2004, [www.wcpo.com/news/2004/local/03/02/museum\\_center.html](http://www.wcpo.com/news/2004/local/03/02/museum_center.html); Douglass W. McDonald, "Winning Community Support for Public Funding," *Dimensions* (Association of Science-Technology Centers), March/April 2005; and "Preserving a Treasure," *Cincinnati Post*, editorial, February 14, 2004, <http://www.cincypost.com/2004/02/14/edita02-14-2004.html>.

### *Governance*

Under state law, county boards of commissioners must vote to approve placement of levy requests on the ballot. If the requests are approved by voters, the funds may be disbursed by County Government and spent in a variety of ways. For example, the Columbus Zoo levy is earmarked for that institution alone. The tax levy receipts received by the Zoo are administered by an 18-member board; six members are designated by the City of Columbus, six by the Franklin County Commissioners, and six by the Columbus Zoological Park Association. The Zoo itself is operated by a private, nonprofit corporation governed by a Board of Trustees.<sup>90</sup>

### *Revenue Source*

As previously mentioned, the Ohio Revised Code allows some cultural institutions to be funded by a property tax levy under the list of exceptions to the 10-mill limit, and a newer section of state law allows the creation of a regional district to support art and cultural institutions through property tax revenues. So far, attempts to change the state law to allow cultural district funding through other tax sources, such as an increase in cigarette taxes, have failed to win approval by the state legislature.<sup>91</sup>

### *Economic Impact*

The economic impact of the arts on Ohio's major metropolitan areas is described in "The Case for Public Funding," a report published in 1999 by the Community Partnership for Arts and Culture. That report estimated that arts and cultural organizations provide 3,700 full-time jobs in Cuyahoga County and generate \$1.3 billion in economic activity throughout the seven-county region. According to the report, Cleveland business leaders rank the region's arts and culture as the top reason for doing business in the region and for relocating businesses to the area. The report also notes that other metropolitan areas, such as Pittsburgh, Dayton, Indianapolis, and St. Louis, have taken action to increase public support for the arts, and warns that Cleveland will lose both tourism and residents if its cultural institutions diminish in quality.<sup>92</sup>

### ***Boston: Zoo New England***

The Franklin Park Zoo in Boston and the Stone Zoo in Stoneham, Massachusetts (a Boston suburb), are privately administered by Zoo New England (formerly the Commonwealth Zoological Corporation), a private "chartered non-profit corporation within the Commonwealth."<sup>93</sup>

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<sup>90</sup> "The Columbus Zoo Voluntary Leadership," Columbus Zoo and Aquarium, *2004 Annual Report*, <http://www.colszoo.org/news/rept2004/leadership.htm>.

<sup>91</sup> Dan Monk, "Museum Center seeks tax levy, promises it won't need it forever," *Business Courier*, December 5, 2003, [www.bizjournals.com/cincinnati/stories/2003/12/08/story2.html](http://www.bizjournals.com/cincinnati/stories/2003/12/08/story2.html); and Thomas B. Schorgl, President and CEO, Community Partnership for Arts and Culture, Cleveland, OH, pers. comm., July 15, 2005.

<sup>92</sup> Community Partnership for Arts and Culture, "The Case for Public Funding," 1999, <http://www.cultureplan.org/home.html>.

<sup>93</sup> Massachusetts House Bill 5300 (1991).

Both zoos are located on publicly owned land. Zoo New England has care, custody and control of the land and facilities and pays no rent to the City or Commonwealth. Zoo New England employs the zoos' staff and retains decision-making authority over their operations.

### *History*

Stone Zoo, formerly known as the Middlesex Fells Zoo, was founded in 1905 and renamed in 1969 in honor of Zoo Director Walter D. Stone. It was originally managed by the Metropolitan District Commission (MDC), a state agency. Franklin Park Zoo, originally known as Brockton Zoo in Boston's Franklin Park, was founded in 1911 and managed by the City of Boston until 1958, when management was turned over to the MDC.

In 1991 Massachusetts Governor William Weld created a private nonprofit organization, the Commonwealth Zoological Corporation, to assume the administration and management of the two publicly owned, operated and funded zoos. At that time, the zoos were in need of extensive capital infrastructure improvements. Stone Zoo had been closed for 18 months, then reopened with 2/3<sup>rds</sup> of its exhibits closed due to safety problems affecting both animals and keepers. Governor Weld argued that the zoos would be more likely to draw private donations if they were unaffiliated with the government, since many potential donors felt that they were already supporting the institutions through their tax dollars.

After the use of the land and ownership of the facilities were transferred to the Commonwealth Zoological Corporation, state funding for zoo operations varied from year to year. In 1995 the Legislature agreed to provide a \$3 million annual subsidy to operate the zoos, appropriated as a line item in the state budget. The subsidy was approved with the hope that the amount would decrease over time as private donations increased. However, by the end of the 1990s, the state subsidy had increased to \$6 million, which included funding for capital expenditures. Funding remained stable at the \$6 million level from FY1998 through FY2001.

Following a downturn in the economy, the state's subsidy was reduced to \$4.5 million in FY2002. In FY2003 the regular operating appropriation fell victim to state budget cutbacks. In place of those operating funds, the state authorized the issuance of \$12 million in bonds, the proceeds of which were to be equally distributed over the course of three years. In FY2003 the state's \$5 million share of the zoos' operating expenses was funded entirely by bond proceeds. In FY2004 the Legislature appropriated \$750,000 for zoo operations, and \$5 million in bond funds was spent on zoo operations. In FY2005 \$4.9 million was appropriated under the zoos' line item, \$1 million was received in a supplemental appropriation, and \$100,000 came from bond funds. In FY2006 the regular appropriation rose to just over \$6 million.

### *Governance*

Zoo New England is governed by a 15-member Board of Directors and a 19-member Advisory Council. One non-voting position on the Board is reserved for a representative from the Division of Urban Parks and Recreation of the State's Department of Conservation and Recreation.<sup>94</sup>

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<sup>94</sup> Massachusetts Department of Conservation and Recreation, pers. comm., September 2003; Zoo New England, pers. comm., July 2005.

### *Revenue Source*

More than 10 years after the creation of Zoo New England, the zoos are still not financially self-sufficient. Private sources constitute less than half of revenues. Public funding is generated solely through legislative subsidies determined on an annual basis as a line item in the state budget; no dedicated fund exists to support the zoos.

### *Distribution of Funds*

The Zoo New England Board of Directors, in conjunction with management, determines how the state subsidy is distributed between the two zoos.

### *Economic Impact*

No information is currently available on the isolated economic impact of the zoos, but a recent report concludes that Boston's varied and well-known cultural institutions, including the Franklin Park and Stone Zoo, significantly impact the entire region's economy. The New England Foundation for the Arts's report found that Massachusetts' cultural institutions spending totaled \$3.491 billion in 2002, up from \$1.438 billion in 1996. The combined spending reported in 2002 generated a statewide economic impact of \$4.23 billion, the report estimated.<sup>95</sup>

The two Boston-area zoos also play a role in attracting tourists. According to the Massachusetts Cultural Council, "cultural tourists"—visitors drawn by museums and other cultural and historical attractions—spend an average of \$62 more per day and \$200 more per trip than other tourists. About 10.6 million domestic travelers visit the Boston area each year; nationally, 46% of tourists report visiting cultural attractions while out of town.<sup>96</sup>

More information on Zoo New England can be found at its website, [www.zoonewengland.com](http://www.zoonewengland.com).

## **Publicly Owned and Operated Institutions**

This section examines the model of cultural institutions that are fully government-owned and operated, as exemplified by the Asian Art Museum and the Fine Arts Museum of San Francisco.

### ***San Francisco: Museums as Agencies of City Government***

The City and County of San Francisco directly owns and operates the Asian Art Museum of San Francisco and the Fine Arts Museum of San Francisco (FAMSF). The FAMSF comprises the M.H. de Young Memorial Museum and the California Palace of the Legion of Honor.

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<sup>95</sup> New England Foundation for the Arts, "New England's Creative Economy: The Nonprofit Sector, 2002," February 2005, [http://www.nefa.org/projinit/regecon/documents/nonprofit2002/NEFA\\_NonprofitStudy2002.pdf](http://www.nefa.org/projinit/regecon/documents/nonprofit2002/NEFA_NonprofitStudy2002.pdf).

<sup>96</sup> Massachusetts Cultural Council, [www.massculturalcouncil.org](http://www.massculturalcouncil.org).

## *History*

The de Young Museum originated as the Fine Arts Building of the California Midwinter International Exposition of 1884, which was chaired by San Francisco Chronicle co-founder Michael H. de Young. After the Exposition closed, the Fine Arts Building in Golden Gate Park and most of its exhibits were designated a museum for the people of San Francisco. The museum, which expanded dramatically over the years, was renamed in 1921 to honor founder de Young.

The California Palace of the Legion of Honor opened on Armistice Day, 1924, a gift to the city by sugar magnate Adolph B. Spreckels and his wife, Alma, to honor California men who died in World War I.

In 1972 the management of the de Young and the Legion of Honor merged to form the Fine Arts Museums of San Francisco. The change was ratified by a large majority of San Francisco voters.

After the de Young building was damaged by the Loma Prieta earthquake in 1989, the Museums' trustees commissioned an engineering report, which found that the building was at high risk for collapse if struck by another major quake. Although bracing provided a temporary solution, the trustees decided a new building was needed. After voters failed to approve two bond issues to build a new museum in 1996 and 1998, the board launched a fund-raising drive that brought in more than \$178 million by February 2005, exceeding the original goal of \$165 million. The de Young Museum closed on December 31, 2000; the new building in Golden Gate Park, which doubles the Museum's exhibit space, reopened on October 15, 2005.

The Loma Prieta earthquake also prompted extensive structural changes at the Legion of Honor. The Legion was closed from 1992 to 1995 for a seismic retrofit and renovation that included a major expansion of the museum's facilities. The \$36.5 million renovation and expansion was financed by a \$12 million city bond, an \$850,000 grant from the National Endowment for the Arts, and \$23.8 million in private donations.

San Francisco's Asian Art Museum dates back to 1959, when Chicago collector Avery Brundage offered to donate his collection to the City of San Francisco if the City would build a new museum to house it.<sup>97</sup> Voters approved a bond issue of \$2.725 million in 1960, and the new museum opened as a new wing of the deYoung Museum in 1966, under the administration of the de Young's board of trustees. In 1969 Brundage offered to provide an additional multimillion dollar gift if the City would create an autonomous administration and raise \$3 million for acquisitions and education. In response the city formed what is today the Asian Art Commission. Brundage, who died in 1975, bequeathed the remainder of his collection to the Museum, making it the largest venue outside of Asia devoted exclusively to Asian art.

In 1987 then-Mayor Dianne Feinstein offered the Museum the City's former Main Library building; voters overwhelmingly approved a \$51.4 million bond issue in 1994 to renovate the library building to house the Museum. The remainder of the \$160.5 million project was funded

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<sup>97</sup> Unless otherwise noted, information regarding the Asian Art Museum was found on its website, [www.asianart.org](http://www.asianart.org).

by private donors and state and federal grants. The Museum reopened in its current location in 2003.

### *Governance*

Under the City charter, the Asian Art Museum is governed by the Asian Art Commission, a Department of the City and County of San Francisco. The 27-member Commission sets and administers policy for the museum. Members, who serve three-year terms, are nominated by the Commission subject to approval by the Mayor. A separate, private nonprofit organization, the Asian Art Museum Foundation, serves as the museum's fund-raising arm and manages the endowment.

The Fine Arts Museum of San Francisco, the largest public arts institution in San Francisco, is administered jointly by a Board of Trustees consisting of no more than 62 members. New members are nominated by the Board; the majority of board members also serve on the Board of the Agency's private, nonprofit arm. In 1987 a private nonprofit was formed to work along side FAMSF in its fundraising efforts.<sup>98</sup>

### *Revenue Source*

In FY2005 1.2% of the city's Hotel Tax – \$1.76 million – was earmarked for the Asian Art Museum. In addition the City provides \$3.89 million in General Fund revenues to support the museum's operations. The museum earned \$1.64 million in admissions in FY2005, and reported a total operating budget of \$17,216,000.<sup>99</sup>

The FAMSF receives 3.1% of Hotel Tax revenue, which totaled \$4.7 million in FY2005. Public support from the Hotel Tax Fund typically contributes 25% of operations costs to the Museum, whose annual budget hovers around \$20 million per fiscal year.

### *Economic Impact*

The economic impact of San Francisco's cultural institutions is detailed in the previous section on the Grants for the Arts program.

More information on the Asian Art Museum of San Francisco and FAMSF can be found at [www.asianart.org](http://www.asianart.org) and [www.thinker.org](http://www.thinker.org).

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<sup>98</sup> Unless otherwise noted, information regarding FAMSF was found on the website [www.thinker.org](http://www.thinker.org). The Museum refused multiple telephone and e-mail requests for current information on its operating budget and governance structure.

<sup>99</sup> Tim Hallman, Associate Director of Marketing & Communications, Asian Art Museum, pers. comm., August 18, 2005.

## **TOURISM, ATTENDANCE, SPENDING AND EMPLOYMENT**

Cultural institutions make four basic contributions to local economies: they attract tourists, they provide incentives for new businesses or individuals to locate in the area, they consume goods and services, and they provide jobs.<sup>100</sup>

It is not possible to assign a precise dollar figure of total extended economic impact created by each individual visit to a major cultural institution. Unfortunately, there is no detailed survey data reporting how much cultural tourists spend on hotel accommodations, meals, theater tickets, cab fares, guidebooks, snacks, or souvenirs. So it is impossible to state with precision that each tourist's visit to a museum or zoo represents \$x in hotel revenues, \$y in restaurant meals, and \$z in other purchases. Similarly, it is impossible to state precisely how much the 12 cultural institutions studied generate in discretionary spending by local residents.

However, the data in this chapter and the chapter following clearly show that these institutions have a significant impact on the local economy, as tourist attractions, as employers, and as direct consumers of goods and services.

### **Cultural Tourism**

Attendance figures and survey data show that the region's cultural institutions play a prominent role in tourists' choice of Chicago as a favored destination. Those "cultural tourists" are an important and growing sector of the tourism economy. According to a 2003 National Travel Survey by the Travel Industry Association of America, during the previous year 81% of American adult travelers – more than 118 million tourists – included a visit to a cultural attraction or event on at least one out-of-town trip. The study found that cultural tourists stay longer – 5.2 nights vs. 3.4 for all travelers – and that they also spend more money at their destination, averaging \$623 per visit (not including transportation costs), \$166 above the average.<sup>101</sup>

In 2001 the Chicago Convention and Tourism Bureau found that more than 2 million overnight visitors to Chicago participated in at least one cultural activity during their visit. These visitors, who spent an average of \$145 during their stay, generated roughly \$300 million for the local economy.<sup>102</sup>

Museums in the Park commissioned a 2001 study of its member institutions' role in attracting tourists to Chicago. The study found that 43% of 7.9 million day-trippers cited museums and other cultural attractions as their top reason for coming to Chicago. The tourists in the study spent an average of \$114 per person. Those cultural tourists therefore accounted for a total of \$387.6 million in local expenditures.

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<sup>100</sup> Billy Kinsey, Jr., "The Economic Impact of Museums and Cultural Attractions: Another Benefit for the Community" (presentation at the Annual Meeting of the American Association of Museums, May 1, 2002).

<sup>101</sup> Travel Industry Association of America, "The Historic/Cultural Traveler," 2003 edition, <http://www.tia.org/pressmedia/pressrec.asp?Item=284>.

<sup>102</sup> Justin Draper, Research Manager, Chicago Convention and Tourism Bureau, pers. comm., September 15, 2003.

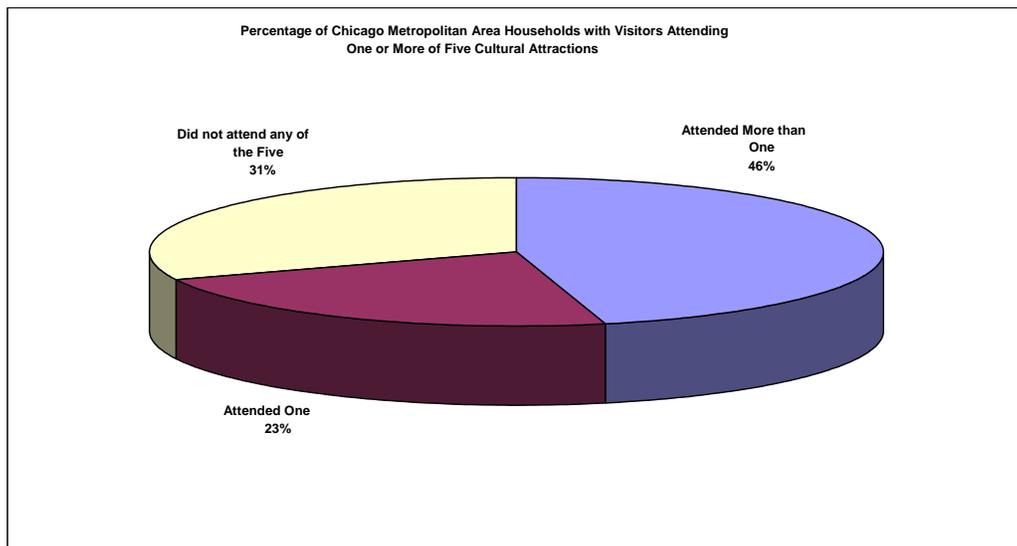
A Metro Chicago Information Center 2001 survey indicated that 30% of Chicago's then 1.3 million international travelers considered museums and other cultural attractions a primary activity during their stay. The study found that international visitors stayed an average of 6.7 days and spent an average of \$258 per person per day. The combined spending by those international cultural tourists exceeded \$674 million.<sup>103</sup>

Chicago-area cultural and scientific institutions play an equally important role in drawing visitors from the surrounding region. A 1997-2001 composite survey of metropolitan Chicago residents found that people who live in the five "collar counties" – DuPage, Lake, Will, Kane and McHenry – visited four major publicly funded cultural institutions in Cook County at rates equal to – or even higher than – Cook County residents:<sup>104</sup>

PERCENTAGE OF HOUSEHOLDS THAT HAVE VISITED SELECTED CULTURAL INSTITUTIONS 1997-2001								
	Metro Total	Cook	DuPage	Lake	Will	Kane	McHenry	Total Collar Counties
<b>Brookfield Zoo</b>	<b>86%</b>	84%	93%	78%	95%	88%	86%	<b>88%</b>
<b>Field Museum</b>	<b>84%</b>	84%	90%	83%	87%	80%	79%	<b>86%</b>
<b>Adler Planetarium</b>	<b>67%</b>	68%	68%	65%	65%	63%	59%	<b>65%</b>
<b>Shedd Aquarium</b>	<b>84%</b>	84%	86%	83%	83%	85%	85%	<b>84%</b>

Source: Metro Chicago Information Center, Metro Survey, 2001.

A 1997 survey by the Metro Chicago Information Center found that 71.8% of households in the six-county area reported visits from out-of-town friends or relatives; of those, 68.6% said their out-of-town guests visited Navy Pier, the Museum of Science and Industry, Shedd Aquarium, the Art Institute, and/or the Field Museum during their stay.

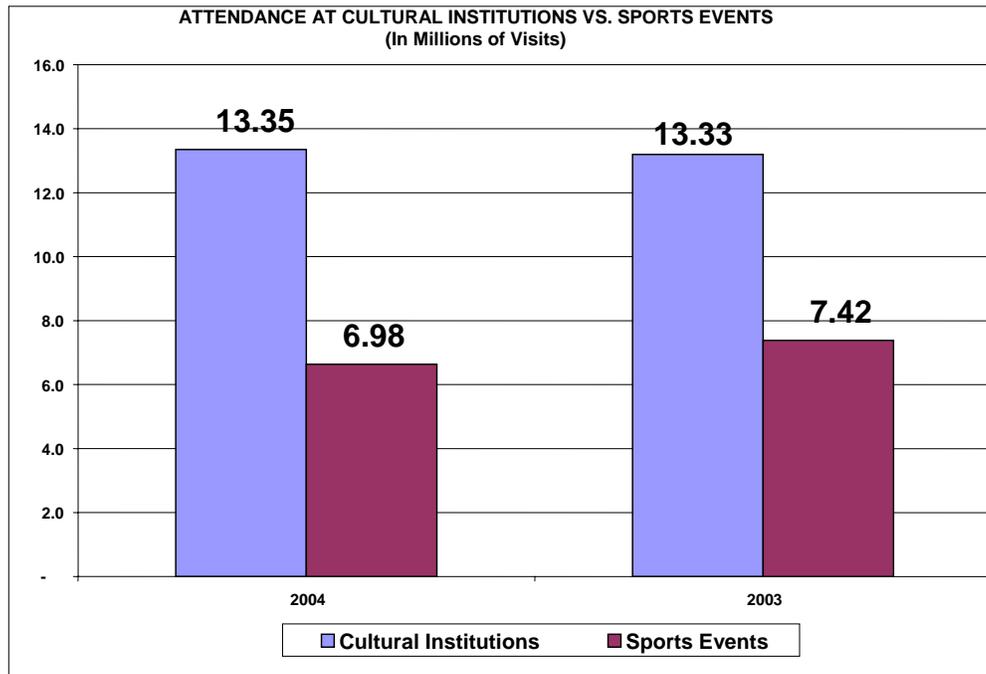


Source: Metro Chicago Information Center, Attraction of Visitor Magnets

<sup>103</sup> Metro Chicago Information Center, *Museums & the Economy: an Economic Impact Study of Museums in the Park*, Winter 2001.

<sup>104</sup> The Chicago metropolitan area, as defined by *Museums in the Park*, includes suburban Cook, DuPage, Lake, Will, Kane, McHenry, LaSalle, Kankakee, DeKalb, Kendall, Grundy, and Iroquois counties.

In 2004 total attendance at the 12 cultural institutions was 13.35 million, nearly five times the population of the city of Chicago and more than one and a half times the population of the metropolitan area.<sup>105</sup> The institutions' combined 2004 attendance was nearly double the combined paid attendance of Cubs, White Sox, Bulls, Bears, Fire and Wolves games that year.



Source: Chicago Convention and Tourism Bureau, *City Stats*.

#### *Attendance at Museums in the Park*

In 2004 attendance at the Museums in the Park totaled just under 7.5 million – more than triple the 2.24 million attendance reported at trade and consumer shows at McCormick Place, the city's convention center, that same year.<sup>106</sup>

The Museums in the Park members collect data on visitor origin. Although the data are incomplete,<sup>107</sup> the institutions reported that in 2004, 1.07 million visitors to member museums came from the city of Chicago; 1.07 million came from suburban Cook and surrounding

<sup>105</sup> Attendance data from: Museums in the Park, *Monthly Totals 2004*; and "Chicago's Largest Tourist Attractions, 2004," *Crain's Chicago Business*, May 2, 2005; and U.S. Census Bureau, June 30, 2005, Annual Estimates of the Population for Incorporated Places over 100,000, Ranked by July 1, 2004 Population: April 1, 2000 to July 1, 2004 (SUB-EST2004-01), <http://www.census.gov/popest/cities/tables/SUB-EST2004-01.xls>.

<sup>106</sup> Chicago Convention and Tourism Bureau, "Facts and Statistics: Shows Held at McCormick Place," [http://www.chicago.il.org/stats/mccormick\\_size.html](http://www.chicago.il.org/stats/mccormick_size.html).

<sup>107</sup> Full-year attendance origin figures were collected from only six institutions: Adler Planetarium, Art Institute of Chicago, Field Museum, Museum of Science and Industry, Notebaert Museum, and Shedd Aquarium. Those numbers are not entirely complete, as a substantial proportion of visitors were incorrectly labeled as "other."

counties;<sup>108</sup> 576,000 came from other regions in Illinois; 2.15 million from other states, and 486,267 were international tourists.

Several of the cultural institutions offer Chicago residents discounts, which range in value from 75 cents to \$6 off regular admission prices to Chicago residents. In addition Museums in the Park institutions offer discounted or free general admissions to all visitors on designated days and times.

A survey conducted by the Metro Chicago Information Center found that 81% of local residents were aware of these reduced or free admission days, and that 82% believed these institutions should offer lower-cost admission options. The study also found that 43% of Cook County residents had visited the institutions on reduced or free admission days, compared with 30% of collar county residents.

In 2004 the Museums in the Park reported 738,427 admissions to its member institutions on free days. For the nine member institutions that charge or suggest admission fees, the average price of basic admission, not including special shows or exhibitions, for a non-Chicago resident adult is currently \$11.56. Using that average as a base, the value of “free day” admissions to member institutions in 2004 totaled \$8.54 million.<sup>109</sup>

The Museums in the Park also offer free admission to elementary and high school groups from any school in Illinois, provided they arrange their tours in advance. In 2004 school groups accounted for approximately 1.16 million admissions – more than 15% of the 7.5 million total.<sup>110</sup> Assuming an average required or suggested admission price of \$6.33 for a 10-year-old child living outside Chicago, and assuming that none of the school groups paid admission fees, the Museums in the Park provided \$7.35 million in free admissions to Illinois schoolchildren and their teachers and chaperones.

#### *Attendance at Brookfield Zoo, Lincoln Park Zoo and Chicago Botanic Garden*

The three other major cultural institutions included in this study are ranked among the area’s top attractions. Lincoln Park Zoo reports approximately 3 million annual visitors, making it the most frequently visited cultural institution in the Chicago area.<sup>111</sup> In second place is Brookfield Zoo, which reported attendance of 2.07 million in 2004, up 5.7% from the previous year. Chicago Botanic Garden logged 800,000 visitors in 2004, making it the seventh most popular cultural attraction in the Chicago area.<sup>112</sup>

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<sup>108</sup> The Chicago metropolitan area, as defined by Museums in the Park, includes DuPage, Lake, Will, Kane, McHenry, LaSalle, Kankakee, DeKalb, Kendall, Grundy, and Iroquois counties.

<sup>109</sup> Average price based on admissions information on the individual institutions’ websites, August 26, 2005.

<sup>110</sup> Admissions statistics provided by Museums in the Park, pers. comm., August 12, 2005.

<sup>111</sup> “Chicago’s Largest Tourist Attractions, 2004,” *Crain’s Chicago Business*, May 2, 2005.

<sup>112</sup> Ibid.

## Employment

Cultural institutions provide a substantial number of jobs for workers throughout the region. In 2002 the total number of full-time jobs supported by the 12 institutions analyzed was approximately 3,000. If part-time and temporary employees are included in the tally, the total headcount for the 12 cultural institutions in FY2002 was 4,710.<sup>113</sup>

<b>TOTAL PERSONNEL, ALL INSTITUTIONS: 2002</b>	
<b>INSTITUTION</b>	<b>TOTAL EMPLOYEES</b>
Museums in the Park	3,281
Lincoln Park Zoo	240
Chicago Botanic Garden	250
Brookfield Zoo	939
<b>TOTAL</b>	<b>4,710</b>

Considered jointly, the 12 institutions rank among the region's largest employers, as shown in the exhibit below.

<b>SELECTED CHICAGO AREA EMPLOYERS: 2002</b>	
<b>NAME</b>	<b>TOTAL EMPLOYEES</b>
Jewel-Osco	39,200
Bank One Corporation	13,900
McDonald's Corporation	6,700
Baxter International	5,500
<b>15 Cultural Institutions in this Study</b>	<b>4,710</b>

Source: "Chicago's Largest Employers," *Crain's Chicago Business*, Nov. 25, 2002.

### *Museums in the Park*

During the period July to December 2002, the nine institutions in the Museums in the Park consortium employed 3,281 employees, a decrease of 3.6 % from 2001.<sup>114</sup>

<sup>113</sup> This figure does not include part-time or seasonal employees at the Botanic Garden.

<sup>114</sup> Does not include vacant positions.

<b>TOTAL EMPLOYEES, MUSEUMS IN THE PARK: 2001, 2002</b>		
<b>INSTITUTION</b>	<b>2001</b>	<b>2002</b>
Art Institute	1,512	1,459
Field Museum	631	612
Museum of Science and Industry	357	354
Shedd Aquarium	273	289
Adler Planetarium	178	164
Chicago Historical Society	180	160
Notebaert	99	97
Mexican Fine Arts Center	115	94
DuSable Museum	58	52
<b>TOTAL</b>	<b>3,403</b>	<b>3,281</b>

The impact of these jobs on the local economy can be estimated using wage data provided by Museums in the Park in their 2002 *Semi-Annual Reports*. These reports provide data on the amount of wages and salaries earned by Chicago residents as a percentage of total wages and salaries earned by all employees. In 2002 Museums in the Park paid Chicago-resident employees \$92 million, or 65% of total wages paid by member institutions.

<b>DISTRIBUTION OF WAGES, MUSEUMS IN THE PARK, 2002 (IN MILLIONS)</b>			
<b>INSTITUTION</b>	<b>TOTAL WAGES</b>	<b>WAGES EARNED BY CHICAGO RESIDENTS</b>	<b>% WAGES EARNED BY CHICAGO RESIDENTS</b>
Adler Planetarium	\$4.7	\$2.6	55.3%
Art Institute	67.8	46.6	68.7%
Chicago Historical Society	5.4	3.4	63.0%
DuSable Museum	1.1	1.1	100.0%
Field Museum	34.9	20.0	57.3%
Mexican Fine Arts Center	2.0	1.5	75.0%
Museum of Science and Industry	12.1	7.3	60.3%
Notebaert Museum	3.7	3.3	89.2%
Shedd Aquarium	9.9	6.2	62.6%
<b>TOTAL</b>	<b>\$141.6</b>	<b>\$92.0</b>	<b>65.0%</b>

### *Other Institutions*

The three other cultural institutions included in this report also provide a significant number of jobs. In 2002 Lincoln Park Zoo reported 240 total employees, including 75 seasonal workers.<sup>115</sup> That same year, the Chicago Botanic Garden employed 250 people full-time.<sup>116</sup> Brookfield Zoo employed 455 people full-time, 16 part-time, and 468 seasonally in 2002.<sup>117</sup>

<sup>115</sup> Human Resources Department, Lincoln Park Zoo, pers. comm., September 16, 2003.

<sup>116</sup> Finance Office, Chicago Botanic Garden, pers. comm., September 15, 2003.

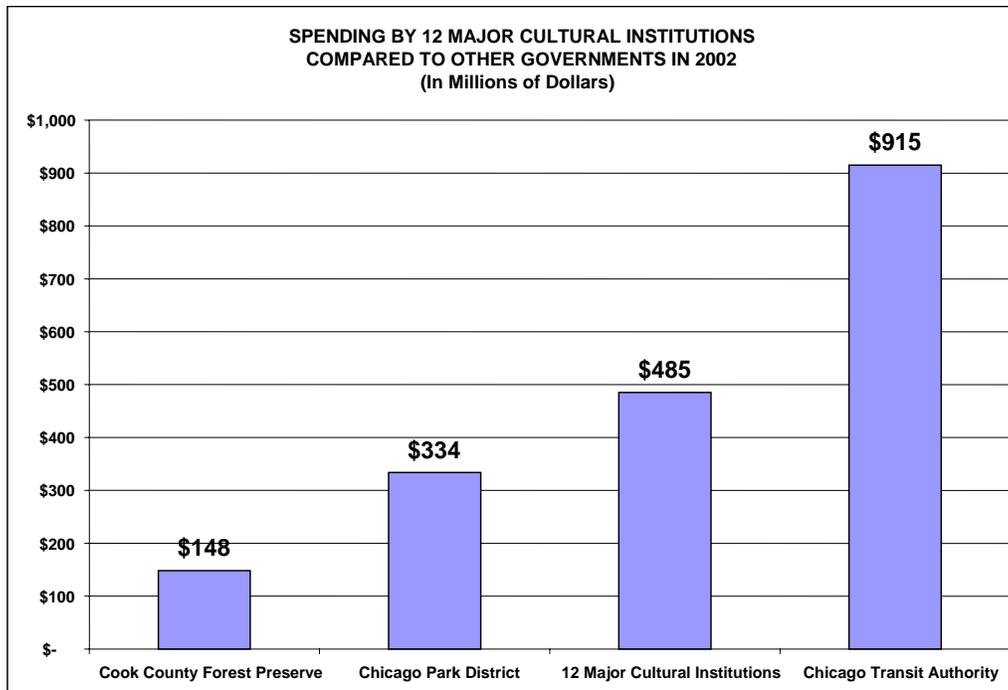
<sup>117</sup> Mena Boulanger, vice president for Development and Government Affairs, Brookfield Zoo., pers. comm., December 18, 2003.

## Total Expenditures

A cultural institution's direct impact on the local economy can best be gauged by its total spending. The exhibit below presents FY2002 operating expenditure data for the institutions analyzed in this report.

<b>TOTAL OPERATING EXPENDITURES, ALL INSTITUTIONS: 1999 &amp; 2002</b>			
<b>INSTITUTION</b>	<b>1999</b>	<b>2002</b>	<b>% CHG</b>
Art Institute	\$ 149,704,000	\$ 184,211,000	23%
Field Museum	\$ 48,889,305	\$ 65,144,169	32%
Museum of Science and Industry	\$ 48,436,678	\$ 45,914,579	-8%
Brookfield Zoo	\$ 47,867,000	\$ 49,845,000	5%
Shedd Aquarium	\$ 30,280,967	\$ 30,841,539	8%
Chicago Botanic Garden	\$ 22,470,000	\$ 28,963,000	19%
Lincoln Park Zoo	\$ 21,305,419	\$ 34,509,426	4%
Chicago Historical Society	\$ 11,670,760	\$ 15,062,329	33%
Adler Planetarium	\$ 11,268,429	\$ 13,206,419	20%
Notebaert Museum	\$ 5,439,000	\$ 10,397,000	75%
Mexican Fine Arts Center	\$ 3,098,885	\$ 4,327,828	30%
DuSable Museum	\$ 2,218,383	\$ 2,831,120	23%
<b>TOTAL</b>	<b>\$ 402,648,826</b>	<b>\$ 485,253,409</b>	<b>21%</b>

In FY2002 the 12 cultural institutions tallied a combined \$485 million in direct spending – an amount greater than the \$334 million Chicago Park District budget and the \$148 million Cook County Forest Preserve District budget combined.



## COMBINED IMPACT OF CULTURAL INSTITUTIONS' SPENDING

This chapter estimates the combined regional economic impact of the 12 institutions' operating expenditures using 2002 data.<sup>118</sup> This information was entered into a comprehensive model of the Chicago economy by researchers at the University of Illinois to estimate the ripple effects on local production, wages, and employment.

The model found that the 12 institutions' total spending on operations accounts for \$1.14 billion worth of productive activity. This figure includes the \$273 million in wages generated by almost 6,500 jobs. (The full report highlighted in this chapter can be found in Appendix III.)

The primary objective of the research summarized in this chapter was to estimate the direct and indirect economic impact of the 12 institutions' operations spending on the six-county region of northeastern Illinois. A secondary objective was to explore the geographic impact of wage-generated spending within the Chicago metropolitan economy.

### Methodology of Research

As noted above, cultural institutions provide significant contributions to the local economy both by employing staff and by spending on goods, services, and capital improvements. That spending has a ripple effect throughout the region's economy.

The findings described below derive from an analysis by the Regional Economics Application Laboratory, using the Chicago Region Econometric Input-output Model (CREIM). Designed to look at local production, wages, and employment, CREIM is a comprehensive model which traces the effect of spending in one or more sectors on the regional economy as a whole. This model has been used by government and civic groups to measure the total economic impact of the Monet Exhibit at the Art Institute of Chicago, the Lyric Opera's Ring Cycle, the Democratic National Convention and the LaSalle Bank Chicago Marathon, as well as the regional impact of redevelopment on the South Side of Chicago.

#### *Input Data*

The 12 institutions' total operating expenditures and their combined employee headcount were entered into the model. CREIM was used to estimate the impact of the institutions' combined spending on the economy as a whole and on specific, aggregated sectors.

#### *Operations Expenditures*

The chart below shows the summary impacts derived from the expenditures on operations. In the table, the impacts are divided into three categories: *Output*, the value of goods and services produced; *Wages*, the portion of that output allocated to wages and salaries; and *Employment*, the number of jobs created.

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<sup>118</sup> A glossary of terms in this chapter is provided in Appendix III.

### IMPACTS OF OPERATIONS EXPENDITURE ON THE ECONOMY

	<i>Output</i> [\$ million]	<i>Wages</i> [\$ million]	<i>Employment</i>
Resources	\$1.76	\$0.52	10
Construction	\$44.93	\$9.89	130
Nondurables	\$137.74	\$17.86	220
Durables	\$82.67	\$10.59	120
TCU*	\$37.95	\$7.07	70
Trade	\$50.40	\$11.55	190
FIRE**	\$109.66	\$12.54	190
Services	\$667.21	\$198.58	5,510
Government	\$10.38	\$3.96	50
<b>Total</b>	<b>\$1,142.70</b>	<b>\$272.57</b>	<b>6,510</b>
Direct	\$485.25	\$149.10	4,710
Indirect	\$657.44	\$123.47	1,800
Multiplier	2.35	1.83	1.38

\* *Transportation, Communications and Utilities*; \*\* *Finance, Insurance and Real Estate*

In the chart above, the row labeled *Direct* records the \$485.25 million spent directly on operating expenses. The row labeled *Indirect* summarizes the ripple effects of these direct expenditures, including the impact of employees' spending. The total regional economic impact of the institutions' operating expenditure is \$1.14 billion, which translates into 6,510 jobs and associated wages and salaries of \$272.5 million. The *Multiplier*, the output impact of each operations dollar spent, is 2.35, which means that every dollar spent generates another \$1.35 in the region. The employment multiplier is 1.38, meaning that each direct job (in the institutions themselves) generates 0.38 jobs elsewhere in the region.

The exhibit also shows how the total impact affects nine aggregated sectors (groupings of the 53 sectors maintained in the Chicago model). For employment, the largest sector impacts are felt in non-manufacturing (the cultural institutions are included in the Services sector). The model shows that the Trade, FIRE (Fire Insurance and Real Estate) and Services sectors account for almost 5,900 of the 6,510 jobs generated. But it also shows that the two Manufacturing sectors account for over \$180 million of the output. The demands on these sectors come from the institutions' direct purchase of locally manufactured products and from indirect spending on goods by both the institutions' employees and employees in other sectors whose production is linked, directly or indirectly, to the institutions' expenditures.

#### *Spatial Impact of Wages and Salaries*

To assess the geographic impact of wage income on the local economy, the cultural institutions listed in Exhibit 1 were split into two groups – those in the Loop/Near North area (the Museums in the Park and the Lincoln Park Zoo) and those in other areas. REAL has estimated the way wages generated in one area of the region create income in other areas, as shown below.

### SPATIAL IMPACT OF INCOME

	Income [\$ million]	Percent of Regional Total
Loop/North Chicago	\$152.19	55.83%
DuPage	\$16.11	5.91%
Kane	\$2.92	1.07%
Lake	\$7.82	2.87%
McHenry	\$0.86	0.32%
North Cook	\$31.73	11.64%
South Chicago	\$10.07	3.69%
South Cook	\$6.31	2.31%
West Chicago	\$19.92	7.31%
West Cook	\$22.74	8.34%
Will	\$1.91	0.70%
<b>Total</b>	<b>\$272.57</b>	<b>100.00%</b>

The indirect effects are derived primarily through consumption spending. The institutions' employees reside throughout the region, and spend money on goods and services in locations outside their neighborhoods and workplaces.

Not surprisingly, almost 56% of the income ends up in the Loop/North Chicago area, where almost 80% of the direct institutional expenditures are made. The data in the table show that the city of Chicago (Loop/North Chicago, West Chicago, South Chicago) garners nearly two-thirds of the income. Just over 89% remains in Cook County.

## REVENUE OPTIONS FOR FUNDING CULTURAL INSTITUTIONS

The principal purpose of this study is to review alternative sources of revenue to replace the property tax-based funding that currently supports the institutions studied. Drawing on the national models cited above, this chapter examines several possible revenue sources.

This study sets \$120 to \$125 million per year as its target for new revenues. Task Force members considered this target adequate to replace property tax dollars received by the institutions studied, to adequately support these institutions' capital needs, and to generate a pool of resources for new and emerging cultural institutions.

\$65 million of the target amount would be allocated for operating expenses, \$40 million for capital projects, and \$15 to \$20 million for new and emerging institutions. The operating amount is based upon the average amount received by the cultural institutions in the baseline years of FY1999 and FY2002. The capital allocation represents the Task Force's estimate of the funding level that would be adequate for cultural institutions' capital needs. The actual capital subsidy in the years reviewed was \$20 million, but the Task Force believed that figure should be increased to anticipate necessary maintenance, rehabilitation, and new construction.

Five possible revenue sources were considered for cultural institution funding:

1. Sales Tax;
2. Hotel Operator's Tax;
3. Cigarette Tax;
4. Liquor Taxes; and
5. Amusement Tax;

Property taxes were not considered as a revenue source because one of the study's objectives was to reduce the property tax burden of Cook County taxpayers.

### Revenue Source Evaluation Criteria

Each of the five taxes has been evaluated according to the six criteria listed below. The criteria and evaluations are derived from the Civic Federation's study of State of Illinois revenue sources, *A Desktop Guide to State Revenue Sources*, which examined trends for all major state revenues from 1992 to 2002.<sup>119</sup>

1. **Projected Revenue Yield.** The revenue projections assume that increases in tax rates will yield the total additional revenue projected. These are preliminary estimates based on simple mathematical projections of possible revenue yield, and are not based on

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<sup>119</sup> Civic Federation, *A Desktop Guide to State Revenue Sources: A Report to the Education Funding Reform Task Force of the Metropolitan Mayors Caucus* (Chicago: Civic Federation), 2003.

statistical models that incorporate various economic and demographic assumptions. That type of modeling is beyond the scope of this study.

2. **Stability of Revenue Source.** Where data were available, the stability of the revenue was evaluated over a 10-year period, from 1992 to 2002.
3. **Revenue Growth as Compared with Personal Income.** This measure evaluates whether increases in economic activity, as measured by increases in wealth, are captured by the tax or fee.
4. **Business vs. Consumer Burden.** This measure evaluates whether the tax falls more heavily on businesses or consumers.
5. **Equity Concerns.** This measure examines possible provisions for a graduated tax or fee structure, including exemptions and/or reductions.
6. **Comparison to Tax Rates Levied by Other Governments.** A selected sample of tax and fees imposed by other state and local governments was chosen for comparison.

### Sales Taxes

The State of Illinois currently levies a 6.25% sales tax on general merchandise, 5% of which is reserved to the state and 1.25% of which is distributed to local governments. The State of Illinois further authorizes local governments, including the Regional Transportation Authority (RTA), to impose sales taxes. County sales tax rates therefore vary. In addition some municipalities levy their own sales tax, as noted below.

<b>Current Sales Tax on General Merchandise</b>				
	<b>Chicago</b>	<b>Suburban Cook County</b>	<b>DuPage County</b>	<b>Other Collar County</b>
<b>State</b>	5.00%	5.00%	5.00%	5.00%
<b>Municipal*</b>	1.00%	1.00%	1.00%	1.00%
<b>County</b>	0.25%	0.25%	0.25%	0.25%
<b>County Home Rule</b>	0.75%	0.75%	0.00%	0.00%
<b>RTA</b>	0.75%	0.75%	0.25%	0.25%
<b>DuPage Water</b>	0.00%	0.00%	0.25%	0.00%
<b>City Home Rule</b>	1.25%	0.00% to 1.25%	0.00% to 1.00%	0.00% to 1.25%
<b>Composite Rate</b>	<b>9.00%</b>	<b>7.75% to 9.00%</b>	<b>6.75% to 7.75%</b>	<b>6.50% to 7.50%</b>

City home rule sales taxes must be implemented in 0.25% increments.

\* or county unincorporated areas

Source: Legislative Research Unit. *Tax Handbook for Legislators*, 2004. 101.

<b>Current Sales Tax on Food and Drugs</b>				
	<b>Chicago</b>	<b>Suburban Cook County</b>	<b>DuPage County</b>	<b>Other Collar County</b>
<b>State</b>	0.00%	0.00%	0.00%	0.00%
<b>Municipal*</b>	1.00%	1.00%	1.00%	1.00%
<b>County</b>	0.00%	0.00%	0.00%	0.00%
<b>County Home Rule</b>	0.00%	0.00%	0.00%	0.00%
<b>RTA</b>	1.00%	1.00%	0.25%	0.25%
<b>Composite Rate</b>	<b>2.00%</b>	<b>2.00%</b>	<b>1.25%</b>	<b>1.25%</b>

\* or county unincorporated areas

Source: Legislative Research Unit. *Tax Handbook for Legislators*, 2004, 101.

### *Projected Revenue Yield*

State statute currently requires local sales taxes to be implemented in increments of 0.25%. However, the Legislature could amend the statute to permit lesser increments. The models below show the amount of revenue that could be generated by imposing a regional sales tax in the amounts of 0.175%, 0.20%, or 0.25%.

These calculations are based on the State of Illinois FY2002 tax collections on behalf of the Regional Transportation Authority (RTA). Based on these calculations, a new regional sales tax of 0.175% could generate as much as \$162.2 million. A sales tax of 0.20% could generate up to \$185.4 million, and a 0.25% sales tax in the six-county region could yield \$231.8 million.<sup>120</sup>

<b>PROJECTED REVENUES OF 0.175% REGIONAL SALES TAX</b>			
	<b>Food, Drugs, Misc.</b>	<b>General Merchandise</b>	<b>Total</b>
Cook County	\$ 14,682,500	\$ 79,989,998	\$ 94,672,498
DuPage County	\$ 4,480,000	\$ 24,290,000	\$ 28,770,000
Kane County	\$ 1,470,000	\$ 6,720,000	\$ 8,190,000
Lake County	\$ 3,150,000	\$ 14,070,000	\$ 17,220,000
McHenry County	\$ 1,050,000	\$ 3,920,000	\$ 4,970,000
Will County	\$ 1,610,000	\$ 6,860,000	\$ 8,470,000
<b>Total</b>	<b>\$ 26,442,500</b>	<b>\$ 135,849,998</b>	<b>\$ 162,292,498</b>

<b>PROJECTED REVENUES OF 0.20% REGIONAL SALES TAX</b>			
	<b>Food, Drugs, Misc.</b>	<b>General Merchandise</b>	<b>Total</b>
Cook County	\$ 16,780,000	\$ 91,417,140	\$ 108,197,140
DuPage County	\$ 5,120,000	\$ 27,760,000	\$ 32,880,000
Kane County	\$ 1,680,000	\$ 7,680,000	\$ 9,360,000
Lake County	\$ 3,600,000	\$ 16,080,000	\$ 19,680,000
McHenry County	\$ 1,200,000	\$ 4,480,000	\$ 5,680,000
Will County	\$ 1,840,000	\$ 7,840,000	\$ 9,680,000
<b>Total</b>	<b>\$ 30,220,000</b>	<b>\$ 155,257,140</b>	<b>\$ 185,477,140</b>

<sup>120</sup> The sales tax projections are based on simple mathematical calculations that modeled changes to actual 2002 RTA sales tax collections.

<b>PROJECTED REVENUES OF 0.25% REGIONAL SALES TAX</b>			
	Food, Drugs, Misc.	General Merchandise	Total
Cook County	\$ 20,975,000	\$ 114,271,425	\$ 135,246,425
DuPage County	\$ 6,400,000	\$ 34,700,000	\$ 41,100,000
Kane County	\$ 2,100,000	\$ 9,600,000	\$ 11,700,000
Lake County	\$ 4,500,000	\$ 20,100,000	\$ 24,600,000
McHenry County	\$ 1,500,000	\$ 5,600,000	\$ 7,100,000
Will County	\$ 2,300,000	\$ 9,800,000	\$ 12,100,000
<b>Total</b>	<b>\$ 37,775,000</b>	<b>\$ 194,071,425</b>	<b>\$ 231,846,425</b>

The exhibits that follow list new composite sales tax rates that would result from increases of 0.175%, 0.20%, and 0.25%.

<b>COMPOSITE RATES ON GENERAL MERCHANDISE (INCLUDES NEW REGIONAL SALES TAX)</b>			
	0.175% Tax	0.20% Tax	0.25% Tax
<b>Chicago</b>	9.175%	9.20%	9.25%
<b>Suburban Cook County</b>	7.925% to 9.425%	7.95% to 9.45%	8.0% to 9.50%
<b>DuPage County</b>	6.925% to 8.425%	6.95% to 8.45%	7.0% to 8.50%
<b>Other Collar County</b>	6.675% to 8.175%	6.70% to 8.20%	6.75% to 8.25%

<b>COMPOSITE RATES ON FOOD AND DRUGS (INCLUDES NEW REGIONAL SALES TAX)</b>			
	0.175% Tax	0.20% Tax	0.25% Tax
<b>Chicago</b>	2.175%	2.20%	2.25%
<b>Suburban Cook County</b>	2.175%	2.20%	2.25%
<b>DuPage County</b>	1.425%	1.45%	1.50%
<b>Other Collar County</b>	1.425%	1.45%	1.50%

*Stability of Revenue Source*

- Unstable. Sales tax receipts tend to increase over time, but year-to-year revenues can vary widely.

*Revenue Growth as Compared with Personal Income*

- State sales tax collections grew faster than personal income in nine of 10 years analyzed (1992-2002).

*Business vs. Consumer Burden*

- Sales taxes are collected by retailers, although the sales/use tax configuration ultimately passes the expense along to consumers.

*Equity Concerns*

- The sales and use taxes include many exemptions and reductions to ease the burden on lower-income consumers.

*Comparison to Tax Rates Levied by Other Governments*

- All but five states impose a general sales tax, ranging from a low of 2.9% in Colorado to a high of 7% in Mississippi, Tennessee, and Rhode Island.
- Neighboring state sales tax rates include:
  - 4.225% in Missouri
  - 5% in Iowa and Wisconsin
  - 6% in Indiana, Kentucky and Michigan

## Hotel Operator's Tax

The hotel operator's tax is imposed on a percentage of the gross receipts from operating a hotel or motel. The hotel operator's tax levied by Illinois is the sum of two rates that equal 6% of 94% of gross rental receipts. Non-home rule municipalities are allowed to impose taxes of up to 5% while non-home rule counties may levy a tax of up to 5% outside any municipality imposing such a tax. Home rule municipalities and counties are not bound by the 5% limit. The City of Chicago is authorized to collect both a 1% hotel operator's tax and a 3.5% hotel accommodations tax on the gross rental or base charge.

Within Chicago's city limits, the Illinois Sports Facilities Authority and the Metropolitan Pier and Exposition Authority are also authorized to levy a hotel operator's tax.

As of 2005, the composite effective rate for the hotel operator's tax within the City of Chicago is 14.59%. The effective rate is the rate actually collected by state and local governments. The actual composite rate imposed on gross receipts, however, is 15.39%. The difference between the two rates is the amount withheld by the Illinois Department of Revenue as an administrative fee for collecting and remitting those tax revenues.

<b>Taxing Body</b>	<b>Calculation</b>	<b>Amount</b>
State Tax	6% of 94%	5.64%
Chicago Municipal Tax	(1% of 99%)	0.99%
City Tax		3.50%
Illinois Sports Facility Authority	(2% of 98%)	1.96%
Metropolitan Pier and Exposition Authority		2.50%
<b>Total Effective Rate</b>		<b>14.59%</b>

In FY2002 the total amount collected in hotel operator taxes within the city limits of Chicago by special district and City authorities was \$100.3 million.

### Chicago Area Hotel Operator's Taxes Collected in FY2002

<b>Hotel Taxes</b>	<b>Amount</b>
Illinois Sports Facilities	\$ 23,500,000
MPEA Hotel Tax	\$ 27,400,000
Chicago Hotel Operator's Tax	\$ 11,900,000
Chicago Accommodations Tax	\$ 37,500,000
<b>Grand Total</b>	<b>\$ 100,300,000</b>

### *Projected Revenue Yield Scenario 1: A Local Option Tax*

The exhibit below shows how much revenue could be generated if a new 0.5% or a 1.0% hotel operator's tax was levied and earmarked to support the cultural institutions in the region. Based on data provided by the Illinois Department of Revenue, the tax is calculated as a percentage of 2002 gross receipts for hotels in the six-county region. A 0.5% tax would generate approximately \$11.7 million, and a 1% tax would generate about \$23.5 million. This option would lead to a proportionate increase in the composite hotel operator's tax rate, boosting the effective rate to 15.09% if a 0.5% tax were levied or 15.89% if a 1.0% tax were implemented. The full composite rates would be 15.89% if a 0.5% tax were levied or 16.39% if a 1.0% tax were implemented.

<b>Hotel Operator's Tax Projections: Scenario #1: Local Option Tax</b>			
	<b>Gross Receipts</b>	<b>0.5% Tax</b>	<b>1.0% Tax</b>
Cook	\$ 1,966,800,000	\$ 9,834,000	\$ 19,668,000
DuPage	\$ 288,700,000	\$ 1,443,500	\$ 2,887,000
Other Collar County	\$ 97,400,000	\$ 487,000	\$ 974,000
<b>Total</b>	<b>\$ 2,352,900,000</b>	<b>\$ 11,764,500</b>	<b>\$ 23,529,000</b>

### *Projected Revenue Yield Scenario 2: Reserving a Portion of the State Tax*

The second scenario examines revenue projections if a portion of the 5.64% State tax on hotel gross receipts were reserved to fund cultural institutions. Reserving 3% of the gross receipts tax in the six-county area would generate up to \$70.5 million, and reserving 4% would generate \$94.1 million. This scenario would hold the composite hotel operator's tax rate constant, and would simply shift revenues already being collected by the State of Illinois.

<b>Hotel Operator's Tax Projections: Scenario #2: Earmarking a Portion of the State Tax</b>			
	<b>Gross Receipts</b>	<b>3% Tax</b>	<b>4% Tax</b>
Cook	\$ 1,966,800,000	\$ 59,004,000	\$ 78,672,000
DuPage	\$ 288,700,000	\$ 8,661,000	\$ 11,548,000
Other Collar County	\$ 97,400,000	\$ 2,922,000	\$ 3,896,000
<b>Total</b>	<b>\$ 2,352,900,000</b>	<b>\$ 70,587,000</b>	<b>\$ 94,116,000</b>

### *Stability of Revenue Source*

- Mixed. Hotel Operator's Tax collections increased steadily until 2001. However, since this is an economically sensitive revenue source, collections declined significantly in FY2002 as the nation fell into a recession.

### *Revenue Growth as Compared with Personal Income*

- The state Hotel Operator's Tax collections grew faster than the economy (as measured by increases in personal income) in eight of 10 years analyzed (1992-2002).

*Business vs. Consumer Burden*

- The tax is levied on hotel operators’ gross receipts, but costs are ultimately shifted to hotel guests.

*Equity Concerns*

- There is an exemption for long-term hotel residents.

*Comparison to Tax Rates Levied by Other Governments*

- Every state except Oregon imposes a hotel tax or includes hotel/motel stays in its sales tax. The state rates range from a low of 1% in Alaska to a high of 14.5% in the District of Columbia.<sup>121</sup>

Chicago currently has one of nation’s the highest composite hotel tax rates, as shown in the chart below.

<b>COMPOSITE HOTEL TAX RATE COMPARISON: Selected U.S. Cities</b>	
<b>City</b>	<b>Rate</b>
Houston	17.00%
Columbus	15.75%
Seattle	15.60%
<b>CHICAGO</b>	<b>15.39%</b>
Los Angeles	14.00%
San Francisco	14.00%
Philadelphia	14.00%
New York City	13.25%
Atlanta	13.00%
New Orleans	12.00%
Portland	11.00%

**Cigarette Taxes**

The federal government imposes a cigarette tax of 39 cents per pack. The State of Illinois levies an additional tax of 98 cents per pack, substantially above the national median state cigarette excise tax of 69.5 cents per pack.<sup>122</sup> In Illinois most municipalities may levy a cigarette tax of 1 cent per pack. Home rule governments (both municipalities and counties) may levy and collect their own cigarette taxes. In 2004 Cook County substantially increased its cigarette tax, from 18 cents to \$1 per pack, and the City of Chicago raised its cigarette tax from 16 cents to 48 cents per pack. The State of Illinois’ proposed FY2006 budget included a 75-cent increase in the cigarette tax, for a total of \$1.73 per pack. That increase failed to win approval by the General Assembly. The following exhibit presents composite cigarette tax information for Cook County and the City of Chicago.

<sup>121</sup> Federation of Tax Administrators, “2004 Service Taxation Survey,” <http://www.taxexchange.org/temp> (accessed September 2005).

<sup>122</sup> Federation of Tax Administrators, “State Excise Tax Rates on Cigarettes,” <http://www.taxadmin.org/fta/rate/cigarette.html> (accessed September 2005).

<b>Current Cigarette Taxes in Cook County</b>			
<b>Government</b>	<b>Chicago</b>	<b>Cook County Suburbs</b>	<b>Rest of State</b>
City of Chicago	48 cents/pack		
Cook County	\$1/pack	\$1/pack	
State of Illinois	98 cents/pack	98 cents/pack	98 cents/pack
Federal	39 cents/pack	39 cents/pack	39 cents/pack
<b>TOTAL</b>	<b>\$2.85/pack</b>	<b>\$2.37/pack</b>	<b>\$1.37/pack</b>

Sources: Legislative Research Unit, *Tax Handbook for Legislators*, p. 74; City of Chicago FY2005 Budget, Cook County FY2004 Budget.

### *Projected Revenue Yield*

The following analysis offers revenue projections based on cigarette taxes of 18 cents, 36 cents and 54 cents per pack, levied throughout the six-county metropolitan Chicago area.

<b>Projected Revenue from a New Cigarette Tax</b>			
	<b>18 cents per pack</b>	<b>36 cents per pack</b>	<b>54 cents per pack</b>
Cook	\$ 37,002,050	\$ 74,004,100	\$ 111,006,150
DuPage	\$ 6,222,321	\$ 12,444,642	\$ 18,666,963
Lake	\$ 4,434,376	\$ 8,868,752	\$ 13,303,128
Will	\$ 3,456,531	\$ 6,913,062	\$ 10,369,593
Kane	\$ 2,781,096	\$ 5,562,192	\$ 8,343,288
McHenry	\$ 1,789,817	\$ 3,579,634	\$ 5,369,451
<b>TOTAL</b>	<b>\$ 55,686,191</b>	<b>\$ 111,372,382</b>	<b>\$ 167,058,573</b>

Projections based on 2002 per capita state tax collections

According to an Emory University study, an announced increase in the cigarette tax results in a brief, steep increase in sales, caused by consumers who buy and hoard cigarettes to delay the impact of the tax increase. Immediately after the increase becomes effective, sales tend to drop dramatically, reflecting pre-increase hoarding as well as decreased demand by consumers who reduce or end their cigarette use in response to the price increase. However, sales tend to rise again after the initial post-tax decline, and generally settle at a new level slightly lower than the pre-tax baseline. Despite lower sales, however, revenues tend to increase because of the higher tax rate.<sup>123</sup> In every state that has increased cigarette taxes by at least 10%, increased revenues per pack offset the reduced sales. For example:

<sup>123</sup> Matthew Farrelly, Christian T. Nimisch and Joshua James, "State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion," Emory University, Rollins School of Public Health, May 2003, [http://www.rti.org/pubs/8742\\_Excise\\_Taxes\\_FR\\_5-03.pdf](http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf).

- In 2000 New York increased its cigarette tax by 55 cents per pack. In-state cigarette sales declined by 20.2%, but the state saw a 57.4% increase in cigarette tax revenues.<sup>124</sup>
- In 1999 the State of California increased its tax by 50 cents per pack. While state consumption declined 18.9%, revenues increased by 90.7%.<sup>125</sup>

#### *Stability of Revenue Source*

- Over time, revenues from cigarette taxes are expected to decline slightly. The State's rate of yield declined by 3% between 2000 and 2002. Contrary to expectations, the substantial increase in Cook County's cigarette tax did not cause a revenue drop-off in FY2004. On the contrary, the County tax generated \$130 million in revenues – a \$91 million increase over the previous year. However, the State of Illinois forecasts a drop-off in state cigarette tax revenues from \$635 million in FY2005 to \$602 million in FY2006.<sup>126</sup>

#### *Revenue Growth as Compared with Personal Income*

- Cigarette tax collections do not tend to reflect fluctuations in personal income. Growth in state cigarette tax collections outstripped growth in personal income in 1994, 1998 and 1999, following increases in the state tax rate.

#### *Business vs. Consumer Burden*

- Although the tax is collected by distributors and retailers, the tax burden is ultimately shifted to consumers. In addition consumers who go out of state to buy cigarettes are subject to a Use Tax, equal to the State's 98-cent Cigarette Tax. Federal law requires on-line sellers to report the names and addresses of cigarette buyers to their states' revenue departments.

#### *Equity Concerns*

- The cigarette tax is not graduated, nor does it include exemptions for lower-income consumers.

#### *Comparison to Tax Rates Levied by Other Governments*

- Cigarette taxes are imposed on a per-pack basis by all 50 states, at rates ranging from 3 cents per pack in Kentucky to \$2.46 per pack in Rhode Island.<sup>127</sup>

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<sup>124</sup> Eric Lindblom, "Raising Cigarette Taxes Always Increases State Revenues and Always Reduces Smoking," National Center for Tobacco-Free Kids, June 21, 2003.

<sup>125</sup> Ibid.

<sup>126</sup> *Illinois State Budget Fiscal Year 2006*, 3-12.

<sup>127</sup> Matthew Farrelly, Christian T. Nimisch and Joshua James, "State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion," Emory University, Rollins School of Public Health, May 2003, [http://www.rti.org/pubs/8742\\_Excise\\_Taxes\\_FR\\_5-03.pdf](http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf).

## **Liquor Taxes and Fees**

Liquor taxes are imposed on the manufacture and distribution of alcoholic beverages. Additional fees are levied on manufacturers, distributors, and retailers of alcoholic beverages.

The federal government currently taxes alcoholic beverages at the following rates:

- 58 cents per gallon on beer,
- \$1.07 to \$3.40 per gallon on wine, depending on its alcohol content and carbonation, and
- \$13.50 per proof gallon on distilled alcohol. (A proof gallon is a gallon of liquid that is 100% proof, or 50% alcohol. The tax is adjusted depending on the actual percentage of alcohol in the beverage.)

The tax rates for the State of Illinois are:

- 18.5 cents per gallon on beer and alcoholic cider,
- 73 cents per gallon on wine with an alcohol content below 20%, and
- \$4.50 per gallon on distilled alcohol.

Municipalities and counties are permitted to collect fees from manufacturers, distributors and retail sellers of alcoholic beverages. In addition home rule units of governments may levy liquor taxes.

In Cook County the liquor tax rates are:

- 6 cents per gallon on beer,
- 16 cents per gallon on wine or other beverages with an alcohol content of 14% or less,
- 30 cents for beverages with an alcohol content between 14% and 20%, and
- \$2 per gallon for beverages with an alcohol content of 20% or more.

In Chicago the liquor tax rates are:

- 16 cents per gallon of beer,
- 24.6 cents per gallon on beverages with an alcohol content of 14% or less,
- 61.5 cents on beverages with an alcohol content of 14 to 20%, and
- \$1.845 per gallon on beverages with an alcohol content of 20% or more.

In Chicago the combined federal, state, county, and city taxes on liquor result in a composite rate of 98.5 cents per gallon of beer, \$2.206 per gallon for non-sparkling wine with an alcohol content of 14% or less, \$3.215 per gallon for wine or other beverages containing 14% to 20% alcohol, and \$21.845 per gallon of 100-proof distilled alcohol.

### *Projected Revenue Yield*

The three scenarios below estimate potential revenues for a new tax at 25%, 50%, and 100% of the State's liquor tax rate, levied in all six counties in metropolitan Chicago and based on per capita State liquor tax collection in FY2002. As shown below, such a tax would generate revenues ranging from \$22.9 million to \$91.9 million.

<b>Liquor Tax Revenue Projections (6 Counties)</b>			
<b>Type</b>	<b>25% State Rate</b>	<b>50% State Rate</b>	<b>100% State Rate</b>
Beer & Cider	\$ 0.046	\$ 0.093	\$ 0.185
Wine < 14%	\$ 0.183	\$ 0.365	\$ 0.730
Wine > 14%	\$ 0.183	\$ 0.365	\$ 0.730
Distilled Liquor	\$ 1.330	\$ 2.000	\$ 4.000
<b>Revenue Generated</b>	<b>\$ 22,983,000</b>	<b>\$ 45,966,000</b>	<b>\$ 91,933,000</b>

Projections based on 2002 State Liquor Tax Collections

Although state liquor tax collections have been relatively stable over the past five years, Cook County's home rule liquor tax collections have declined by 3.9% since FY2001. Additionally, research indicates that price increases in alcoholic beverages tend to reduce consumption. As a result, the amount actually collected through a six-county liquor tax would probably be less than the projections above, perhaps as much as 5% less.

#### *Stability of Revenue Source*

- State Liquor tax receipts fluctuated only slightly between 1992 and 1999, averaging \$52 million. After 1999, when the State significantly increased liquor taxes, receipts increased substantially, from \$56.8 million in FY1999 to an estimated \$145 million in FY2005. In Cook County liquor tax receipts are expected to decline a total of 3.9% between FY2001 and FY2005.

#### *Revenue Growth as Compared with Personal Income*

- Between 1992 and 2002, liquor tax collections did not change faster than the economy (as measured by increases in personal income) in 8 of 10 years.

#### *Business vs. Consumer Burden*

- The tax is paid by manufacturers, distributors, and retail sellers. However, the ultimate tax burden is shifted onto consumers.

#### *Equity Concerns*

- There are no exemptions for lower-income consumers, and the per-gallon tax rate does not vary according to the actual price of the beverage.

#### *Comparison to Tax Rates Levied by Other Governments*

- Excise taxes are imposed on liquor sales in 32 states. The remaining states directly control sales of distilled alcoholic beverages, generating revenue through a combination of taxes, fees, and net profits.
- Taxes on distilled alcoholic beverages range from \$1.50 per gallon in Maryland to \$12.80 per gallon in Alaska, with a national median of \$3.75. Taxes on wine with an alcohol content under 14% range from 11 cents a gallon in Louisiana to \$2.50 a gallon in Alaska, with a national median of 69 cents a gallon. State taxes on beer range from 2 cents per gallon in Wyoming to \$1.07 cents per gallon in Alaska, with a national median of 19 cents.

## Amusement Taxes

Cook County and the City of Chicago use their home rule powers to levy amusement taxes, which are imposed on patrons of various types of amusements, such as sporting events and theaters.<sup>128</sup> The Cook County amusement tax, enacted in 1997, is 3% of the gross receipts from admissions fees or related charges. The City of Chicago's admissions tax on live entertainment is graduated, and ranges from 0% in venues accommodating fewer than 750 to 8% in venues accommodating more than 5,000.<sup>129</sup> All other forms of entertainment are taxed at 8%.

Amusement Tax Rates: Cook County & City of Chicago		
<b>Cook County</b>	3.0%	all forms of entertainment
<b>City of Chicago</b>	4.0%	live entertainment in venues with capacity of 750 - 5,000
	8.0%	live entertainment in venues with capacity over 5,000
	8.0%	all other forms of entertainment

In FY2002 Cook County's amusement tax generated \$13.4 million, and the City's tax generated \$33.8 million.

### *Projected Revenue Yield*

Using Cook County's collections as a base, the exhibit below shows how much revenue could potentially be generated by a countywide increase in the amusement tax. A 1% amusement tax could generate \$4.4 million, a 2% tax could generate \$8.9 million and a 3% tax could generate as much as \$13.4 million.

Projected Revenue from Increased Cook County Amusement Tax			
Cook Tax Rate	Composite Rate	Total Revenue	Total Increase
<b>Current Rate: 3%</b>	3% to 10%	\$ 13,400,000	\$ -
<b>Increase to 4%</b>	4% to 11%	\$ 17,866,000	\$ 4,470,000
<b>Increase to 5%</b>	5% to 12%	\$ 22,332,000	\$ 8,930,000
<b>Increase to 6%</b>	6% to 13%	\$ 26,800,000	\$13,400,000

Based on FY2002 Cook County revenues

### *Stability of Revenue Source*

- The amounts collected vary from year to year. From FY1998 to FY1999, the County's collections dropped by 18%. Collections increased in FY2000 through FY2003, reaching 15.4 million, but the County's FY2005 budget estimated revenues of \$14 million.

<sup>128</sup> The State of Illinois levies a flat fee of \$15 per machine on coin-operated amusement devices, such as jukeboxes and pinball machines that use coins, tokens or chips. This tax generated \$1.3 million in FY2001. See Civic Federation, *A Desktop Guide to State Revenue Sources* (Chicago: Civic Federation), 65. The City of Chicago also levies an automatic amusement device tax of \$150 per non-gambling machine.

<sup>129</sup> See *Cook County Revenue Estimates FY2004*, 53 and *City of Chicago Revenue Estimates*, 37.

### *Revenue Growth as Compared with Personal Income*

- For two of the four years in which data were available, amusement tax collections did not grow faster than personal income.

### *Business vs. Consumer Burden*

- The tax is levied on gross receipts, so it is paid by amusement venue operators, although the ultimate cost is borne by ticket purchasers.

### *Equity Concerns*

- Neither the City nor the County offers exemptions, although the City of Chicago amusement tax is graduated to provide some relief to smaller entertainment venues.

### *Comparison to Tax Rates Levied by Other Governments*

Many cities impose local amusement taxes, or collect sales tax on tickets and other admission fees. For example:

- New York City's composite sales tax of 8.375% is imposed on "admission charges to places of amusement."<sup>130</sup>
- Pittsburgh imposes a 5% amusement tax on "the gross admissions of patrons of any type of event that offers entertainment or allows the patrons to engage in the entertainment."<sup>131</sup>
- Philadelphia imposes a 5% amusement tax on "the admission fee charged for attending any amusement ... including concerts, movies, athletic contests, night clubs, and convention shows for which admission is charged."<sup>132</sup>

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<sup>130</sup> City of New York Department of Finance, "Sales and Use Tax," Business Taxes, [http://www.nyc.gov/html/dof/html/business/business\\_tax\\_nys\\_sales.shtml#rates](http://www.nyc.gov/html/dof/html/business/business_tax_nys_sales.shtml#rates).

<sup>131</sup> Pittsburgh Department of Finance, "Tax Types and Regulations," [http://www.city.pittsburgh.pa.us/finance/html/tax\\_types\\_and\\_regulations.html](http://www.city.pittsburgh.pa.us/finance/html/tax_types_and_regulations.html).

<sup>132</sup> Philadelphia Department of Revenue, "Tax Guide," [http://www.phila.gov/revenue/pdfs/tax\\_guide\\_rev.\\_05-03.pdf](http://www.phila.gov/revenue/pdfs/tax_guide_rev._05-03.pdf).

## **TASK FORCE POLICY RECOMMENDATIONS**

After review and discussion of the research prepared by Civic Federation staff, the Task Force on Public Funding of Cultural Institutions in Northeastern Illinois makes three findings:

1. Cultural institutions provide substantial, measurable economic benefits to the region;
2. Government financial support for cultural institutions is steadily shrinking; and
3. A stable new funding structure is needed to address declines in public subsidies for cultural institutions.

In light of these findings, the Task Force has adopted policy recommendations regarding the appropriate type and structure of public funding for the region's scientific and cultural institutions.

The Task Force believes all the cultural institutions included in this study should continue to receive public subsidies at current levels. The Task Force does not in any way advocate a reduction in those subsidies. Existing property tax-based subsidies should not be reduced until a new funding structure is in place.

### ***The Cultural Institutions Provide Substantial Benefits to the Region***

The cultural institutions analyzed in this study rank among Cook County's most popular entertainment venues for residents and visitors alike. According to a survey by the Metro Chicago Information Center (MCIC), more than 80% of residents in the six-county region of Northeastern Illinois reported visiting the Brookfield Zoo, Field Museum, or Shedd Aquarium between 1997 and 2001.<sup>133</sup> As previously mentioned, total 2004 attendance at the 12 cultural institutions was 13.35 million, nearly five times the population of the city of Chicago and more than one and a half times the population of the metropolitan area.<sup>134</sup>

The invaluable educational and social benefits that these organizations confer upon the city should not cause us to overlook their economic importance. As this report shows, the major cultural institutions in Northeastern Illinois are an important source of jobs in the Chicago area, and contributed almost half a billion dollars in direct spending to the regional economy in FY2002. Using the comprehensive REAL model, we found that the institutions' total spending on operations that year generated a total of \$1.14 billion worth of productive activity, including \$273 million in wage and salary income generated by almost 6,500 jobs.

### ***Government Financial Support for the Cultural Institutions is Shrinking***

Local governments continue to face serious financial pressures that have led them to reduce traditional subsidies to cultural institutions. The continuation of these reductions would threaten the financial viability of these vital institutions.

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<sup>133</sup> Metro Chicago Information Center, *Metropolitan Chicago Information Center (MCIC) Metro Survey, 2001*. 2001.

<sup>134</sup> Attendance data from: Museums in the Park, *Monthly Totals*, 2004; and "Chicago's Largest Tourist Attractions, 2004," *Crain's Chicago Business*, May 2, 2005.

Reductions in government support have occurred at both the local and state levels. As previously noted, the Chicago Park District's substantial subsidy of operations for the Museums in the Parks institutions has steadily decreased in recent years. Between FY1999 and FY2004, Park District appropriations for museum operations fell from \$37.2 million to \$32.4 million, a 13.1% decrease. In that same time period, the Illinois Department of Natural Resources (DNR) reduced its grant support to the Museums in the Park by 9%, from \$7.8 million to \$7.1 million. In the FY2005 budget the total recommended DNR appropriation for Illinois museums fell to \$4.9 million. The FY2005 threat to the Horse Race Tax Allocation grants further underscored the instability of government funding for Cook County's cultural institutions.

While government support was falling, many of the cultural institutions reported declines in the other financial support they received. Overall, revenues declined by 3% between FY1999 and FY2002 for seven of the 12 institutions studied.<sup>135</sup> This represented a \$13 million decline, from \$507 million to \$493 million. The aggregate numbers mask dramatic revenue decreases for certain institutions. In the years studied, the Museums in the Park institutions reported a combined drop in revenue of \$40 million or 10%, and six member institutions reported revenue decreases of 21% or more. Many of these decreases were the result of investment losses and grant funding reductions. The Field Museum alone reported a \$25 million loss on investments.

<b>CULTURAL INSTITUTIONS REVENUES &amp; SUPPORT: FY99 &amp; FY02</b>				
<b>INSTITUTION</b>	<b>FY99 REVENUES</b>	<b>FY02 REVENUES</b>	<b>\$ CHG</b>	<b>% CHG</b>
Field Museum	\$ 76,613,074	\$ 34,813,492	\$ (41,799,582)	-55%
Shedd Aquarium	\$ 50,335,187	\$ 32,819,975	\$ (17,515,212)	-35%
Notebaert Museum	\$ 11,664,000	\$ 7,791,000	\$ (3,873,000)	-33%
DuSable Museum	\$ 3,809,160	\$ 2,735,935	\$ (1,073,225)	-28%
Chicago Historical Society	\$ 20,281,922	\$ 15,299,472	\$ (4,982,450)	-25%
Museum of Science & Industry	\$ 50,999,608	\$ 40,536,702	\$ (10,462,906)	-21%
Adler Planetarium	\$ 12,508,947	\$ 13,196,154	\$ 687,207	5%
Art Institute	\$ 177,130,000	\$ 214,996,000	\$ 37,866,000	21%
Mexican Fine Arts Center Museum	\$ 3,272,075	\$ 4,159,473	\$ 887,398	27%
<b>Subtotal Museums in the Park</b>	<b>\$ 406,613,973</b>	<b>\$ 366,348,203</b>	<b>\$ (40,265,770)</b>	<b>-10%</b>
Brookfield Zoo	\$ 53,007,000	\$ 50,881,000	\$ (2,126,000)	-4%
Botanic Garden	\$ 23,762,000	\$ 31,731,000	\$ 7,969,000	34%
Lincoln Park Zoo	\$ 22,985,712	\$ 44,485,447	\$ 21,499,735	94%
<b>TOTAL</b>	<b>\$ 506,368,685</b>	<b>\$ 493,445,650</b>	<b>\$ (12,923,035)</b>	<b>-3%</b>

***A Stable New Funding Structure is Necessary to Sustain the Cultural Institutions***

Lagging tax revenues and rising operating expenses continue to constrict local government budgets, and elected officials are under increasing pressure to reduce spending and limit revenues from unpopular sources. As a result, local governments may choose to cut back on the public funding that has historically been provided to the region's cultural institutions. Therefore, the Task Force concludes that the current system of property tax-based subsidies can no longer

<sup>135</sup> The revenue data presented in the exhibit include government subsidy amounts.

be considered a stable future revenue source for the region's cultural institutions. A broader base of public funding is needed to secure their long-term viability.

As shown above, the Task Force reviewed public funding arrangements for a number of cultural institutions around the nation, including special taxing districts, quasi-governmental agencies, appropriations and/or rent waivers provided to private institutions, and full public ownership. The members concluded that the ongoing financial challenges facing the 12 institutions analyzed in this report cannot be resolved by any simple alteration in the current public funding arrangements. Instead, the appropriate mechanism to provide long-term, stable public revenues for the cultural institutions would be a new legal entity, similar in structure and operation to the Denver Scientific & Cultural Facilities District.

The Task Force considered a number of possible revenue source, including increases in the current sales tax, hotel tax, liquor tax, cigarette tax, and amusement tax. These options were reviewed to find a broad-based tax that would be stable over time and relatively elastic, with the potential to grow as personal income levels rise.

Given broad public dissatisfaction with rising property taxes, a new regional property tax was rejected. Hotel taxes in the Chicago region already rank among the highest in the nation, making any further increases ill-advised. Liquor and amusement taxes were rejected because substantial increases would be required to generate sufficient levels of revenue. Cigarette taxes in Cook County were recently raised to \$1 per pack, and the City of Chicago has increased the tax to 48 cents per pack, effectively precluding any further significant increases.

After careful review, the Tax Force recommended a county-wide sales tax on general merchandise and food and drugs as the new entity's revenue source. Sales tax revenues are not completely stable, as they fluctuate with the economy. Over time, however, the sales tax is a relatively dependable revenue source. A relatively small increase in the local sales tax rate would provide sufficient revenue without dramatically affecting consumers' economic decisions.

### ***Task Force Recommendations for Stabilizing the Public Funding of Cultural Institutions***

The primary focus of the proposed cultural institutions legal entity would be to provide adequate public funding to the major institutions surveyed in this report. But given the economic and social importance of all of the Chicago area's cultural institutions and organizations, the Task Force members recommend that a portion of the new funding source be reserved for other cultural organizations, including new and emerging institutions.

### **Geographic Boundaries**

The Task Force initially considered a proposal to create a special district encompassing all six counties in the region. That proposal was rejected because the institutions that would be the primary funding recipients are all located in Cook County, as is a majority of the region's population. Instead, the Task Force recommends that a new legal entity whose boundaries are coterminous with Cook County be created to fund the 10 institutions in the Museums in the Park consortium, the Lincoln Park Zoo, the Brookfield Zoo, and the Chicago Botanic Garden. Under

this arrangement, a 0.2% sales tax would be required to generate approximately \$108 million in revenue, and a tax rate of 0.25% could yield as much as \$135 million based on 2002 RTA sales tax collections.

### **Type of Legal Entity**

The Task Force recommended two options for the structure of a new legal entity that could receive and disburse public funds:

1. The implementation of an **Intergovernmental Agreement** between Cook County, the Forest Preserve District of Cook County, the Chicago Park District, and the City of Chicago. Under the Agreement, Cook County would use its home rule powers to levy a county-wide sales tax. Funds from that tax would be disbursed to the institutions according to an agreed-upon formula. This arrangement would be similar to the current operating and capital funding agreement between the Museums in the Park and the Chicago Park District. The four governments currently possess the authority to enter into such an agreement.
2. The creation of a **Special District or Authority**, with boundaries coterminous with Cook County and with full budgetary, taxing, and debt issuance authority. The governing board of the Special District could be elected or appointed. The governing Board of an Authority would be appointed. Creation of a Special District or Authority would require an act of the General Assembly.

### *Targeted Revenue Amount: \$120 to \$125 Million in Total Revenues Annually*

The Task Force set an estimated revenue target of \$120 million to \$125 million annually. This amount would replace all property tax-based funds currently provided to the institutions and would further support those institutions' capital needs, as well as ensuring a pool of resources for new and emerging cultural institutions. The target revenue amount would include \$65 million for operations, \$40 million for capital projects, and \$15 to \$20 million for new and emerging institutions.

The operating funds target amount is based on the average received by the cultural institutions in the base years of FY1999 and FY2002. The institutions received roughly \$20 million in capital support over that same period. The Task Force recommends increasing that amount to meet anticipated needs for maintenance, rehabilitation, and new construction.

As previously noted, this report sets a baseline of \$12 million to reflect the Chicago Park District's annual Aquarium and Museums debt service levy, which must continue until the outstanding bonds are retired. This amount could be deducted from the \$40 million capital target figure for a revised total of \$27.2 million. The Chicago Park District provides about \$2.5 million annually from personal property replacement tax (PPRT) revenues earmarked by state law for the Museums in the Park consortium members. This amount could be deducted from the target operating subsidy amount for a revised total of \$62.5 million. In addition, the Forest Preserve District must provide approximately \$4.2 million in annual debt service payments for the \$50 million in General Obligation bonds earmarked for the Brookfield Zoo and the Chicago Botanic

Garden. These amounts could be deducted from the target capital amount for a revised total of \$21.3 million. If these amounts are deducted, the total **new annual revenues** needed range from \$101.3 to \$106.3 million.

### **Distribution of Revenues**

All the cultural institutions studied in this report would be guaranteed both operating and capital support from the new entity, reflecting the current base of \$65 million in operating funds and an additional \$40 million to be distributed between the institutions on the basis of agreed-upon criteria. The remaining \$14 to \$19 million would be distributed to other institutions through a grant application process.

### **\$26.6 Million Cook County Property Tax Reduction**

In approaching this project, the Task Force set two indivisible goals: easing the financial burden faced by property tax payers and meeting the growing fiscal needs of the two governments – the Chicago Park District and the Forest Preserve District of Cook County – that provide the vast majority of tax-based support to the cultural institutions studied. Task Force members believed those goals could best be achieved by creating a new revenue source to replace the current \$65 million in property tax-based operating funds provided to the institutions, reserving a portion of the current property tax levies for those two governments, and abating the remainder to provide tax relief to Cook County property owners. *The proposal for property tax relief is inextricably linked to the proposal for stable funding for the cultural institutions. The Task Force supports the creation of a new funding source and entity for the cultural institutions only if it is linked to significant property tax relief.*

## APPENDIX I: ILLINOIS DEPARTMENT OF NATURAL RESOURCES GRANT SUPPORT FOR MUSEUMS IN THE PARK

The Illinois Department of Natural Resources annually provides operating and capital grants to the state's cultural institutions. The following exhibits detail the amount of those subsidies to the nine Museums in the Park in FY1999 and FY2002.

In FY1999 a total of \$5 million in state operating grants was awarded to cultural institutions throughout the State of Illinois; approximately half of those funds was received by the nine Museums in the Park. Three years later, the total operating support was reduced to \$4 million. The share awarded to the Museums in the Park was reduced to \$1.74 million.

<b>STATE OF ILLINOIS OPERATING GRANTS TO MUSEUMS IN THE PARK: FY99 &amp; FY02</b>				
<b>INSTITUTION</b>	<b>FY1999</b>	<b>FY2002</b>	<b>\$ CHG</b>	<b>% CHG</b>
Adler Planetarium	\$ 133,910	\$ 98,883	\$ (35,027)	-26.2%
Art Institute of Chicago	\$ 487,500	\$ 380,119	\$ (107,381)	-22.0%
Chicago Historical Society	\$ 173,275	\$ 124,123	\$ (49,152)	-28.4%
DuSable Museum	\$ 34,990	\$ 18,524	\$ (16,466)	-47.1%
Field Museum	\$ 487,500	\$ 380,119	\$ (107,381)	-22.0%
Mexican Fine Arts Center Museum	\$ 48,090	\$ 27,067	\$ (21,023)	-43.7%
Museum of Science and Industry	\$ 487,500	\$ 380,119	\$ (107,381)	-22.0%
Peggy Notebaert	\$ 190,538	\$ 80,339	\$ (110,199)	-57.8%
John G. Shedd Aquarium	\$ 439,124	\$ 251,440	\$ (187,684)	-42.7%
<b>TOTAL</b>	<b>\$ 2,482,427</b>	<b>\$ 1,740,733</b>	<b>-\$741,694</b>	<b>-29.9%</b>

Capital grants to the Museums in the Park in FY1999 and FY2002 are shown next. In both years a total of \$10 million was awarded statewide. The Museums in the Park share remained constant at approximately 53% in both years.

<b>TOTAL STATE OF ILLINOIS GRANT SUPPORT TO MUSEUMS IN THE PARK: FY99 &amp; FY02</b>				
<b>INSTITUTION</b>	<b>FY1999</b>	<b>FY2002</b>	<b>\$ CHG</b>	<b>% CHG</b>
Adler Planetarium	\$ 883,910	\$ 788,883	-\$95,027	-10.8%
Art Institute of Chicago	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Chicago Historical Society	\$ 723,275	\$ 670,123	-\$53,152	-7.3%
DuSable Museum	\$ 34,990	\$ 201,524	\$166,534	475.9%
Field Museum	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Mexican Fine Arts Center Museum	\$ 368,090	\$ 367,067	-\$1,023	-0.3%
Museum of Science and Industry	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Peggy Notebaert	\$ 520,538	\$ 415,339	-\$105,199	-20.2%
John G. Shedd Aquarium	\$ 1,289,124	\$ 1,071,440	-\$217,684	-16.9%
<b>TOTAL</b>	<b>\$ 7,832,427</b>	<b>\$ 7,114,733</b>	<b>-\$717,694</b>	<b>-9.2%</b>

The final exhibit shows the total amount of state grant support provided to the individual Museums in the Park institutions in FY1999 and FY2002. In FY1999 the nine museums

The final exhibit shows the total amount of state grant support provided to the individual Museums in the Park institutions in FY1999 and FY2002. In FY1999 the nine museums received 52% of the total of \$15 million in operating and capital grants awarded. Two years later, the museums received 51%, or \$7.1 million of the \$14 million provided.

<b>TOTAL STATE OF ILLINOIS GRANT SUPPORT TO MUSEUMS IN THE PARK: FY99 &amp; FY02</b>				
<b>INSTITUTION</b>	<b>FY1999</b>	<b>FY2002</b>	<b>\$ CHG</b>	<b>% CHG</b>
Adler Planetarium	\$ 883,910	\$ 788,883	-\$95,027	-10.8%
Art Institute of Chicago	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Chicago Historical Society	\$ 723,275	\$ 670,123	-\$53,152	-7.3%
DuSable Museum	\$ 34,990	\$ 201,524	\$166,534	475.9%
Field Museum	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Mexican Fine Arts Center Museum	\$ 368,090	\$ 367,067	-\$1,023	-0.3%
Museum of Science and Industry	\$ 1,337,500	\$ 1,200,119	-\$137,381	-10.3%
Peggy Notebaert	\$ 520,538	\$ 415,339	-\$105,199	-20.2%
John G. Shedd Aquarium	\$ 1,289,124	\$ 1,071,440	-\$217,684	-16.9%
<b>TOTAL</b>	<b>\$ 7,832,427</b>	<b>\$ 7,114,733</b>	<b>-\$717,694</b>	<b>-9.2%</b>

## APPENDIX II: MAJOR CULTURAL INSTITUTION EXPENDITURES

Expenditures are generally reported by cultural institutions in two broad categories: program services and support services. In this analysis the term “program services” refers to those categories of expenditure that are central to the institution’s core mission and day-to-day operation. Support services are defined as secondary to the core mission.

To compare expenses accurately and consistently, the categorization of certain line items in this analysis differs from those in the audited financial statements of the institutions. In this report the following are considered program services: Evaluation, Collections and Research, Exhibitions, History, Programs, Publications, Building Operations, Visitor Services, Gardens and Grounds, Education, Gift shop, Café, Conservation, Guest Services, Admissions, and Parking. Support services include: Public Information, Development, General Administrative, Management, Interest Expenses, Fundraising, Auxiliary and Ancillary activities, Institutional Support, Marketing, and Membership.

The exhibits below include the percentage growth in expenses from FY1999 to FY2002 for each institution by category. They also detail the percentage of total funds spent for each category in program versus support services in FY1999 and FY2002.<sup>136</sup> Please note that only the most general comparisons should be taken from the following expenditure analysis, as program needs and costs vary greatly for each institution.

### *Lincoln Park Zoo*

From FY1999 to FY2002 spending at the Lincoln Park Zoo increased by 62%, partly reflecting a 167% increase in construction spending, from \$6.6 million to \$17.8 million. In addition support service spending increased by 20%.

#### LINCOLN PARK ZOO EXPENDITURES: FY99 & FY02

	FY1999	FY2002	% CHG
Buildings and grounds	\$ 2,689,896	\$ 2,691,137	0%
Construction	\$ 6,685,138	\$ 17,865,350	167%
Animal collection and conservation	\$ 4,269,619	\$ 4,915,512	15%
Visitor services	\$ 1,422,937	\$ 1,844,439	30%
Public education	\$ 2,509,867	\$ 2,878,093	15%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 17,577,457</b>	<b>\$ 30,194,531</b>	<b>72%</b>
Membership	\$ 543,484	\$ 690,063	27%
Zoo administration	\$ 1,397,159	\$ 1,731,414	24%
Fundraising and development	\$ 1,086,981	\$ 1,222,408	12%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 3,027,624</b>	<b>\$ 3,643,885</b>	<b>20%</b>
Debt service	\$ 700,338	\$ 671,010	-4%
<b>TOTAL</b>	<b>\$ 21,305,419</b>	<b>\$ 34,509,426</b>	<b>62%</b>

<sup>136</sup> This analysis does not include the DuSable Museum of African American History or the Mexican Fine Arts Center Museum. Though supported by varying amounts of public funds, these relatively small institutions did not lend themselves to a comparative expenditure analysis with the other, larger institutions, all of which spend significantly more on an annual basis in both program and support categories.

Program services represented over 80% of overall spending at the zoo in both FY1999 and FY2002. Construction increased substantially as a percentage of overall spending from FY1999 to FY2002, increasing overall program service spending to 87% in FY2002.

**LINCOLN PARK ZOO EXPENDITURES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Buildings and grounds	\$ 2,689,896	13%	\$ 2,691,137	8%
Construction	\$ 6,685,138	31%	\$ 17,865,350	52%
Animal collection and conservation	\$ 4,269,619	20%	\$ 4,915,512	14%
Visitor services	\$ 1,422,937	7%	\$ 1,844,439	5%
Public education	\$ 2,509,867	12%	\$ 2,878,093	8%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 17,577,457</b>	<b>83%</b>	<b>\$ 30,194,531</b>	<b>87%</b>
Membership	\$ 543,484	3%	\$ 690,063	2%
Zoo administration	\$ 1,397,159	7%	\$ 1,731,414	5%
Fundraising and development	\$ 1,086,981	5%	\$ 1,222,408	4%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 3,027,624</b>	<b>14%</b>	<b>\$ 3,643,885</b>	<b>11%</b>
Debt service	\$ 700,338	3%	\$ 671,010	2%
<b>TOTAL</b>	<b>\$ 21,305,419</b>		<b>\$ 34,509,426</b>	

*Museums in the Park*

*Adler Planetarium*

The Adler Planetarium increased overall spending by 17% from FY1999 to FY2002, due in large part to a \$2.3 million increase in program service spending.

**ADLER PLANETARIUM EXPENDITURES: FY99 & FY02**

	<b>FY1999</b>	<b>FY2002</b>	<b>% CHG</b>
Professional & Educational	\$ 5,169,444	\$ 7,334,356	42%
History of Astronomy	\$ 619,796	\$ 917,645	48%
Evaluation	\$ 168,940	\$ -	-100%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 5,958,180</b>	<b>\$ 8,252,001</b>	<b>38%</b>
Development & Marketing	\$ 1,895,072	\$ 2,939,660	55%
Administration	\$ 1,427,491	\$ 2,014,758	41%
Auxiliary Activities	\$ 916,867	\$ -	-100%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 4,239,430</b>	<b>\$ 4,954,418</b>	<b>17%</b>
Depreciation	\$ 1,070,819	\$ -	-100%
<b>TOTAL</b>	<b>\$ 11,268,429</b>	<b>\$ 13,206,419</b>	<b>17%</b>

As a result of the increase in program service spending as compared to a relatively modest increase in support service expenditures, program services increased from 53% to 62% of overall spending.

**ADLER PLANETARIUM EXPENSES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Professional & Educational	\$ 5,169,444	46%	\$ 7,334,356	56%
History of Astronomy	\$ 619,796	6%	\$ 917,645	7%
Evaluation	\$ 168,940	1%	\$ -	0%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 5,958,180</b>	<b>53%</b>	<b>\$ 8,252,001</b>	<b>62%</b>
Development & Marketing	\$ 1,895,072	17%	\$ 2,939,660	22%
Administration	\$ 1,427,491	13%	\$ 2,014,758	15%
Auxiliary Activities	\$ 916,867	8%	\$ -	0%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 4,239,430</b>	<b>38%</b>	<b>\$ 4,954,418</b>	<b>38%</b>
Depreciation	\$ 1,070,819	10%	\$ -	0%
<b>TOTAL</b>	<b>\$ 11,268,429</b>		<b>\$ 13,206,419</b>	

*Art Institute of Chicago*

The Art Institute of Chicago budget includes spending for both the art museum and the school. Overall, spending increased by 23% from FY1999 to FY2002. \$19 million of that increase – 35% of the total – reflected increased school spending, compared with a 23% increase in museum support services and 5% in museum program services. Expenditures on special exhibitions increased significantly, but almost all increased spending in program services was offset by the lack of art purchases in FY2002.

**ART INSTITUTE EXPENDITURES: FY99 & FY02**

	<b>FY1999</b>	<b>FY2002</b>	<b>% CHG</b>
Curatorial, Libraries & Collections	\$ 23,198,000	\$ 26,665,000	15%
Special Exhibitions	\$ 6,049,000	\$ 10,116,000	67%
Museum Education	\$ 2,949,000	\$ 3,537,000	20%
Art Object Purchases	\$ 7,367,000	\$ -	-100%
Other Programs	\$ 632,000	\$ 1,824,000	189%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 40,195,000</b>	<b>\$ 42,142,000</b>	<b>5%</b>
General Administration	\$ 13,868,000	\$ 18,637,000	34%
Property & Equipment Improvements	\$ 246,000	\$ 730,000	197%
Auxiliary Activities	\$ 18,592,000	\$ 21,167,000	14%
Fundraising	\$ 5,715,000	\$ 6,805,000	19%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 38,421,000</b>	<b>\$ 47,339,000</b>	<b>23%</b>
Instructional & Academic Support	\$ 29,673,000	\$ 42,196,000	42%
Student Aid	\$ 22,902,000	\$ 28,681,000	25%
Auxiliary Activities	\$ 1,605,000	\$ 2,588,000	61%
Other School Programs	\$ 1,338,000	\$ 1,394,000	4%
<b>SUBTOTAL SCHOOL PROGRAMS</b>	<b>\$ 55,518,000</b>	<b>\$ 74,859,000</b>	<b>35%</b>
Depreciation & Amortization	\$ 7,712,000	\$ 10,754,000	39%
Interest Expense	\$ 5,822,000	\$ 6,908,000	19%
Debt Issuance	\$ 404,000	\$ 401,000	-1%
Other	\$ 1,632,000	\$ 1,808,000	11%
<b>SUBTOTAL OTHER</b>	<b>\$ 15,570,000</b>	<b>\$ 19,871,000</b>	<b>28%</b>
<b>TOTAL</b>	<b>\$ 149,704,000</b>	<b>\$ 184,211,000</b>	<b>23%</b>

Overall, school spending as a share of total budget increased by 4 percentage points, while museum program services decreased by four points.

**ART INSTITUTE EXPENSES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Curatorial,libraries & collections	\$ 23,198,000	15%	\$ 26,665,000	14%
Special Exhibitions	\$ 6,049,000	4%	\$ 10,116,000	5%
Museum Education	\$ 2,949,000	2%	\$ 3,537,000	2%
Art Object Purchases	\$ 7,367,000	5%	\$ -	0%
Other Programs	\$ 632,000	0%	\$ 1,824,000	1%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 40,195,000</b>	<b>27%</b>	<b>\$ 42,142,000</b>	<b>23%</b>
General Administration	\$ 13,868,000	9%	\$ 18,637,000	10%
Property & Equipment Improvements	\$ 246,000	0%	\$ 730,000	0%
Auxiliary Activities	\$ 18,592,000	12%	\$ 21,167,000	11%
Fundraising	\$ 5,715,000	4%	\$ 6,805,000	4%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 38,421,000</b>	<b>26%</b>	<b>\$ 47,339,000</b>	<b>26%</b>
Instructional & Academic Support	\$ 29,673,000	20%	\$ 42,196,000	23%
Student Aid	\$ 22,902,000	15%	\$ 28,681,000	16%
Auxiliary Activities	\$ 1,605,000	1%	\$ 2,588,000	1%
Other School Programs	\$ 1,338,000	1%	\$ 1,394,000	1%
<b>SUBTOTAL SCHOOL PROGRAMS</b>	<b>\$ 55,518,000</b>	<b>37%</b>	<b>\$ 74,859,000</b>	<b>41%</b>
Depreciation & Amortization	\$ 7,712,000	5%	\$ 10,754,000	6%
Interest Expense	\$ 5,822,000	4%	\$ 6,908,000	4%
Debt Issuance	\$ 404,000	0%	\$ 401,000	0%
Other	\$ 1,632,000	1%	\$ 1,808,000	1%
<b>SUBTOTAL OTHER</b>	<b>\$ 15,570,000</b>	<b>10%</b>	<b>\$ 19,871,000</b>	<b>11%</b>
<b>TOTAL</b>	<b>\$ 149,704,000</b>		<b>\$ 184,211,000</b>	

*Notebaert Museum*

Program spending at the Peggy Notebaert Museum more than doubled between FY1999, the year it opened, and FY2002. Overall, expenditures increased 91%.

**PEGGY NOTEBAERT EXPENDITURES (Chicago Academy of Sciences): FY99 & FY02**

	<b>FY1999</b>	<b>FY2002</b>	<b>% CHG</b>
Education, exhibits, and visitor programs	\$ 1,817,000	\$ 3,568,000	96%
International Center for the Advancement of Scientific Literacy	\$ 512,000	\$ -	-100%
Museum operations*	\$ -	\$ 2,662,000	
Café and gift shop	\$ -	\$ 431,000	
Research, special events, and other	\$ 876,000	\$ 716,000	-18%
<b>SUPPORT PROGRAM SERVICES</b>	<b>\$ 3,205,000</b>	<b>\$ 7,377,000</b>	<b>130%</b>
Development and marketing	\$ 1,257,000	\$ 952,000	-24%
Institutional support	\$ 273,000	\$ 642,000	135%
External Affairs	\$ -	\$ 556,000	
Administration	\$ 704,000	\$ 870,000	24%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 2,234,000</b>	<b>\$ 3,020,000</b>	<b>35%</b>
<b>TOTAL</b>	<b>\$ 5,439,000</b>	<b>\$ 10,397,000</b>	<b>91%</b>

\*includes depreciation of \$1,645,000

Program services also increased as a percentage of total spending, although the Notebaert Museum includes depreciation in its calculation of Museum operations. After subtracting \$1.6 million in depreciation from operating expenditures in FY2002, both program services and support services decreased as percentages of overall spending. Depreciation, which was not a factor in FY1999 expenditures, represented 15% of total spending in FY2002.

**PEGGY NOTEBAERT EXPENSES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Education, exhibits, and visitor programs	\$ 1,817,000	33%	\$ 3,568,000	34%
International Center for the Advancement of Scientific Literacy	\$ 512,000	9%	\$ -	0%
Museum operations*	\$ -	0%	\$ 2,662,000	26%
Café and gift shop	\$ -	0%	\$ 431,000	4%
Research, special events, and other	\$ 876,000	16%	\$ 716,000	7%
<b>SUPPORT PROGRAM SERVICES</b>	<b>\$ 3,205,000</b>	<b>59%</b>	<b>\$ 7,377,000</b>	<b>71%</b>
External Affairs	\$ -		\$ 556,000	5%
Development and marketing	\$ 1,257,000	23%	\$ 952,000	9%
Institutional support	\$ 273,000	5%	\$ 642,000	6%
Administration	\$ 704,000	13%	\$ 870,000	8%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 2,234,000</b>	<b>41%</b>	<b>\$ 3,020,000</b>	<b>29%</b>
<b>TOTAL</b>	<b>\$ 5,439,000</b>		<b>\$ 10,397,000</b>	

\*includes depreciation of \$1,645,000

*Chicago Historical Society*

The Chicago Historical Society showed a 53% increase in program spending and a 29% increase in overall spending from FY1999 to FY2002.

**CHICAGO HISTORICAL SOCIETY EXPENDITURES: FY99 & FY02**

	FY1999	FY2002	% CHG
Collections & Research	\$ 1,891,689	\$ 2,032,506	7%
Exhibitions	\$ 1,712,270	\$ 1,950,952	14%
History Programs	\$ 566,042	\$ 840,992	49%
Publications	\$ 485,444	\$ 421,629	-13%
Building Operations/Visitor Services	\$ 2,049,931	\$ 5,018,998	145%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 6,705,376</b>	<b>\$ 10,265,077</b>	<b>53%</b>
Membership & Public Information	\$ 177,048	\$ 161,047	-9%
Development Activities	\$ 1,058,684	\$ 653,283	-38%
Interest Expense	\$ 933,718	\$ -	-100%
Marketing	\$ 326,806	\$ 489,663	50%
General & Administrative	\$ 1,655,715	\$ 2,463,320	49%
Auxiliary services	\$ -	\$ 1,029,939	
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 4,151,971</b>	<b>\$ 4,797,252</b>	<b>16%</b>
Depreciation	\$ 813,413	\$ -	-100%
<b>TOTAL</b>	<b>\$ 11,670,760</b>	<b>\$ 15,062,329</b>	<b>29%</b>

As a result of increasing program expenses and depreciation, support service expenses decreased as a percentage of overall spending in FY2002.

**CHICAGO HISTORICAL SOCIETY EXPENSES: % of Total Spending FY 99 & FY02**

	FY1999	% of TOTAL	FY2002	% of TOTAL
Collections & Research	\$ 1,891,689	16%	\$ 2,032,506	13%
Exhibitions	\$ 1,712,270	15%	\$ 1,950,952	13%
History Programs	\$ 566,042	5%	\$ 840,992	6%
Publications	\$ 485,444	4%	\$ 421,629	3%
Building Operations/Visitor Services	\$ 2,049,931	18%	\$ 5,018,998	33%
<b>SUBTOTAL PROGRAM FUNCTIONS</b>	<b>\$ 6,705,376</b>	<b>57%</b>	<b>\$ 10,265,077</b>	<b>68%</b>
Membership & Public Information	\$ 177,048	2%	\$ 161,047	1%
Development Activities	\$ 1,058,684	9%	\$ 653,283	4%
Interest Expense	\$ 933,718	8%	\$ -	0%
Marketing	\$ 326,806	3%	\$ 489,663	3%
General & Administrative	\$ 1,655,715	14%	\$ 2,463,320	16%
Auxiliary services	\$ -	0%	\$ 1,029,939	7%
<b>SUBTOTAL SUPPORT FUNCTIONS</b>	<b>\$ 4,151,971</b>	<b>36%</b>	<b>\$ 4,797,252</b>	<b>32%</b>
Depreciation	\$ 813,413	7%	\$ -	0%
<b>TOTAL</b>	<b>\$ 11,670,760</b>		<b>\$ 15,062,329</b>	

*Field Museum*

Overall expenditures at the Field Museum increased by 33% from FY1999 to FY2002. Spending increased in every category except administration. Support service expenditures increased by 92%, reflecting \$2.4 million in new spending on information services and an increase of \$5.5 million in institutional advancement. Program service spending increased by 17%. Museum Affairs, which includes exhibitions and education, increased by 6%.

**FIELD MUSEUM EXPENDITURES: FY99 & FY02**

	FY1999	FY2002	% CHG
Academic Affairs	\$ 11,818,170	\$ 15,356,991	30%
Museum Affairs (exhibitions & education)	\$ 11,861,133	\$ 12,515,792	6%
Public Services	\$ 4,411,295	\$ 5,329,466	21%
General Services & Facilities	\$ 10,050,696	\$ 11,325,303	13%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 38,141,294</b>	<b>\$ 44,527,552</b>	<b>17%</b>
Information Services	\$ -	\$ 2,393,694	100%
Institutional Advancement	\$ 3,310,831	\$ 8,795,656	166%
Administration	\$ 3,229,863	\$ 2,868,956	-11%
Auxiliary Enterprises*	\$ 4,207,317	\$ 6,558,311	56%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 10,748,011</b>	<b>\$ 20,616,617</b>	<b>92%</b>
<b>TOTAL</b>	<b>\$ 48,889,305</b>	<b>\$ 65,144,169</b>	<b>33%</b>

\*Includes the museum stores, special events, and food services.

Reflecting increased spending on institutional advancement and the new category of information services, the Field Museum saw spending on support services as a percentage of overall spending increase by 10 percentage points between FY1999 and FY2000.

**FIELD MUSEUM EXPENSES: % of Total Spending FY99 & FY02**

	FY1999	% of TOTAL	FY2002	% of TOTAL
Academic Affairs	\$ 11,818,170	24%	\$ 15,356,991	24%
Museum Affairs	\$ 11,861,133	24%	\$ 12,515,792	19%
Public Services	\$ 4,411,295	9%	\$ 5,329,466	8%
General Services & Facilities	\$ 10,050,696	21%	\$ 11,325,303	17%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 38,141,294</b>	<b>78%</b>	<b>\$ 44,527,552</b>	<b>68%</b>
Information Services	\$ -	0%	\$ 2,393,694	4%
Institutional Advancement	\$ 3,310,831	7%	\$ 8,795,656	14%
Administration	\$ 3,229,863	7%	\$ 2,868,956	4%
Auxiliary Enterprises	\$ 4,207,317	9%	\$ 6,558,311	10%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 10,748,011</b>	<b>22%</b>	<b>\$ 20,616,617</b>	<b>32%</b>
<b>TOTAL</b>	<b>\$ 48,889,305</b>		<b>\$ 65,144,169</b>	

*Shedd Aquarium*

Expenditures at the John G. Shedd Aquarium increased 2% from FY1999 to FY2002. Program service spending increased 10%, and support services decreased by 13%.

**JOHN G. SHEDD AQUARIUM EXPENDITURES: FY99 & FY02**

	FY1999	FY2002	% CHG
Exhibits	\$ 7,639,986	\$ 9,004,339	18%
Animal Husbandry	\$ 5,782,864	\$ 6,993,853	21%
Research & Conservation	\$ 628,850	\$ 606,491	-4%
Education, outreach & interpretation	\$ 3,669,425	\$ 3,560,132	-3%
Guest Services	\$ 1,635,808	\$ 1,140,713	-30%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 19,356,933</b>	<b>\$ 21,305,528</b>	<b>10%</b>
Ancillary Services	\$ 3,938,851	\$ 1,223,484	-69%
Development & Membership	\$ 1,992,631	\$ 2,121,110	6%
Fundraising Events	\$ 442,128	\$ 454,255	3%
Management & General	\$ 4,550,424	\$ 5,737,162	26%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 10,924,034</b>	<b>\$ 9,536,011</b>	<b>-13%</b>
<b>TOTAL</b>	<b>\$ 30,280,967</b>	<b>\$ 30,841,539</b>	<b>2%</b>

Expenditures in program services increased to 69% of overall spending in FY2002, up from 64% in FY1999. Support services decreased by 5 percentage points of the total budget over the same period.

**JOHN G. SHEDD AQUARIUM EXPENSES: % of Total Spending FY99 & FY02**

	FY1999	% of TOTAL	FY2002	% of TOTAL
Exhibits	\$ 7,639,986	25%	\$ 9,004,339	29%
Animal Husbandry	\$ 5,782,864	19%	\$ 6,993,853	23%
Research & Conservation	\$ 628,850	2%	\$ 606,491	2%
Education, outreach & interpretation	\$ 3,669,425	12%	\$ 3,560,132	12%
Guest Services	\$ 1,635,808	5%	\$ 1,140,713	4%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 19,356,933</b>	<b>64%</b>	<b>\$ 21,305,528</b>	<b>69%</b>
Ancillary Services	\$ 3,938,851	13%	\$ 1,223,484	4%
Development & Membership	\$ 1,992,631	7%	\$ 2,121,110	7%
Fundraising Events	\$ 442,128	1%	\$ 454,255	1%
Management & General	\$ 4,550,424	15%	\$ 5,737,162	19%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 10,924,034</b>	<b>36%</b>	<b>\$ 9,536,011</b>	<b>31%</b>
<b>TOTAL</b>	<b>\$ 30,280,967</b>		<b>\$ 30,841,539</b>	

*Museum of Science and Industry*

Spending at the Museum of Science and Industry decreased by approximately \$2.5 million or 5% between FY1999 to FY2002. Program service spending stayed relatively constant, while support service spending decreased by 17%. As a result, program services increased as a percentage of total budget.

**MUSEUM OF SCIENCE AND INDUSTRY EXPENDITURES: FY99 & FY02**

	FY1999	FY2002	% CHG
Program support services	\$ 5,520,221	\$ 4,064,670	-26%
Public programs	\$ 16,908,343	\$ 20,990,426	24%
Education programs	\$ 3,660,558	\$ 2,373,282	-35%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 26,089,122</b>	<b>\$ 27,428,378</b>	<b>5%</b>
Management and general	\$ 7,096,725	\$ 7,570,465	7%
Development and membership	\$ 4,009,146	\$ 2,948,633	-26%
Marketing	\$ 2,289,629	\$ 3,025,284	32%
Ancillary services	\$ 8,952,056	\$ 4,941,819	-45%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 22,347,556</b>	<b>\$ 18,486,201</b>	<b>-17%</b>
<b>TOTAL</b>	<b>\$ 48,436,678</b>	<b>\$ 45,914,579</b>	<b>-5%</b>

**MUSEUM OF SCIENCE AND INDUSTRY EXPENSES: % of Total Spending FY99 & FY02**

	FY1999	% of TOTAL	FY2002	% of TOTAL
Program support services	\$ 5,520,221	11%	\$ 4,064,670	9%
Public programs	\$ 16,908,343	35%	\$ 20,990,426	46%
Education programs	\$ 3,660,558	8%	\$ 2,373,282	5%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 26,089,122</b>	<b>54%</b>	<b>\$ 27,428,378</b>	<b>60%</b>
Management and general	\$ 7,096,725	15%	\$ 7,570,465	16%
Development and membership	\$ 4,009,146	8%	\$ 2,948,633	6%
Marketing	\$ 2,289,629	5%	\$ 3,025,284	7%
Ancillary services	\$ 8,952,056	18%	\$ 4,941,819	11%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 22,347,556</b>	<b>46%</b>	<b>\$ 18,486,201</b>	<b>40%</b>
<b>TOTAL</b>	<b>\$ 48,436,678</b>		<b>\$ 45,914,579</b>	

*Chicago Botanic Garden*

From FY1999 to FY2002, total spending at the Chicago Botanic Garden increased by 19%. Spending decreased on grounds maintenance and education programs, but spending on research and conservation programs and on development increased significantly. Spending on support services increased by 35%.

**CHICAGO BOTANIC GARDENS EXPENDITURES: FY99 & FY02**

	FY1999	FY2002	% CHG
Garden and grounds	\$ 7,665,000	\$ 6,135,000	-20%
Education and programs	\$ 5,991,000	\$ 5,184,000	-13%
Research and conservation	\$ 468,000	\$ 2,415,000	416%
Gift shop	\$ 945,000	\$ -	-100%
Visitor Operation	\$ -	\$ 4,882,000	
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 15,069,000</b>	<b>\$ 18,616,000</b>	<b>24%</b>
Management and general/Administration	\$ 1,935,000	\$ 3,098,000	60%
Development	\$ 1,649,000	\$ 2,776,000	68%
Membership	\$ 1,118,000	\$ 971,000	-13%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 4,702,000</b>	<b>\$ 6,845,000</b>	<b>46%</b>
Depreciation	\$ 2,699,000	\$ 3,502,000	30%
<b>TOTAL</b>	<b>\$ 22,470,000</b>	<b>\$ 28,963,000</b>	<b>29%</b>

From FY1999 to FY2002, support services represented a slightly greater percentage of overall spending. Development in particular grew as a support spending priority. Education and programs decreased significantly as a percentage of total spending, as did garden and grounds maintenance.

**CHICAGO BOTANIC GARDENS EXPENSES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Garden and grounds	\$ 7,665,000	34%	\$ 6,135,000	21%
Education and programs	\$ 5,991,000	27%	\$ 5,184,000	18%
Research and conservation	\$ 468,000	2%	\$ 2,415,000	8%
Gift shop	\$ 945,000	4%	\$ -	0%
Visitor Operation	\$ -	0%	\$ 4,882,000	17%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 15,069,000</b>	<b>67%</b>	<b>\$ 18,616,000</b>	<b>64%</b>
Management and general/Administration	\$ 1,935,000	9%	\$ 3,098,000	11%
Development	\$ 1,649,000	7%	\$ 2,776,000	10%
Membership	\$ 1,118,000	5%	\$ 971,000	3%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 4,702,000</b>	<b>21%</b>	<b>\$ 6,845,000</b>	<b>24%</b>
Depreciation	\$ 2,699,000	12%	\$ 3,502,000	12%
<b>TOTAL</b>	<b>\$ 22,470,000</b>		<b>\$ 28,963,000</b>	

*Brookfield Zoo*

Although overall spending increased by only 4% from 1999 to 2002, Brookfield Zoo reported a 20% increase in public education expenses and a 56% increase in depreciation during that period. Program services, support services, and depreciation remained relatively constant as percentages of overall expenditures.

**BROOKFIELD ZOO EXPENDITURES: FY99 & FY02**

	<b>FY1999</b>	<b>FY2002</b>	<b>% CHG</b>
Animal collection and conservation biology	\$ 10,002,000	\$ 11,226,000	12%
Care of buildings and grounds	\$ 9,283,000	\$ 8,877,000	-4%
Admissions and parking	\$ 2,155,000	\$ 2,116,000	-2%
Guest services	\$ 11,953,000	\$ 10,525,000	-12%
Public education	\$ 2,660,000	\$ 3,199,000	20%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 36,053,000</b>	<b>\$ 35,943,000</b>	<b>0%</b>
Management and general	\$ 3,001,000	\$ 3,396,000	13%
Fundraising	\$ 1,301,000	\$ 1,343,000	3%
Marketing and public relations	\$ 2,808,000	\$ 2,268,000	-19%
Membership development	\$ 949,000	\$ 1,038,000	9%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 8,059,000</b>	<b>\$ 8,045,000</b>	<b>0%</b>
Depreciation	\$ 3,755,000	\$ 5,857,000	56%
<b>TOTAL</b>	<b>\$ 47,867,000</b>	<b>\$ 49,845,000</b>	<b>4%</b>

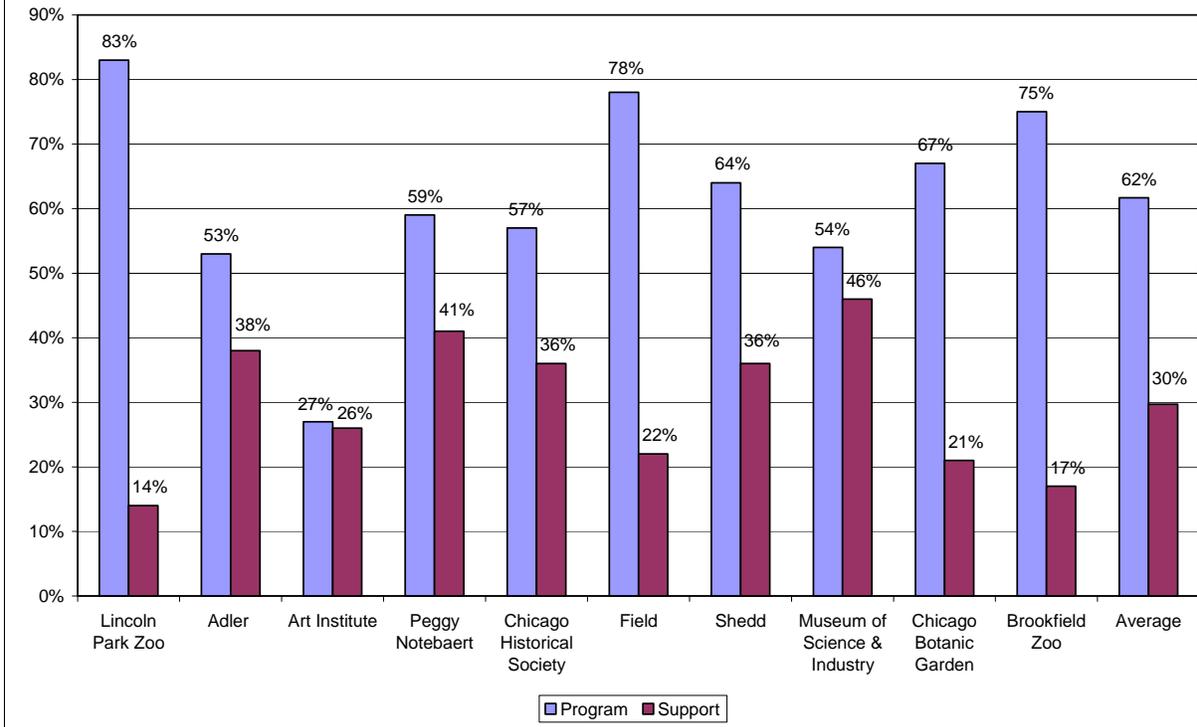
**BROOKFIELD ZOO EXPENSES: % of Total Spending FY99 & FY02**

	<b>FY1999</b>	<b>% of TOTAL</b>	<b>FY2002</b>	<b>% of TOTAL</b>
Animal collection and conservation biology	\$ 10,002,000	21%	\$ 11,226,000	23%
Care of buildings and grounds	\$ 9,283,000	19%	\$ 8,877,000	18%
Admissions and parking	\$ 2,155,000	5%	\$ 2,116,000	4%
Guest services	\$ 11,953,000	25%	\$ 10,525,000	21%
Public education	\$ 2,660,000	6%	\$ 3,199,000	6%
<b>SUBTOTAL PROGRAM SERVICES</b>	<b>\$ 36,053,000</b>	<b>75%</b>	<b>\$ 35,943,000</b>	<b>72%</b>
Management and general	\$ 3,001,000	6%	\$ 3,396,000	7%
Fundraising	\$ 1,301,000	3%	\$ 1,343,000	3%
Marketing and public relations	\$ 2,808,000	6%	\$ 2,268,000	5%
Membership development	\$ 949,000	2%	\$ 1,038,000	2%
<b>SUBTOTAL SUPPORT SERVICES</b>	<b>\$ 8,059,000</b>	<b>17%</b>	<b>\$ 8,045,000</b>	<b>16%</b>
Depreciation	\$ 3,755,000	8%	\$ 5,857,000	12%
<b>TOTAL</b>	<b>\$ 47,867,000</b>		<b>\$ 49,845,000</b>	

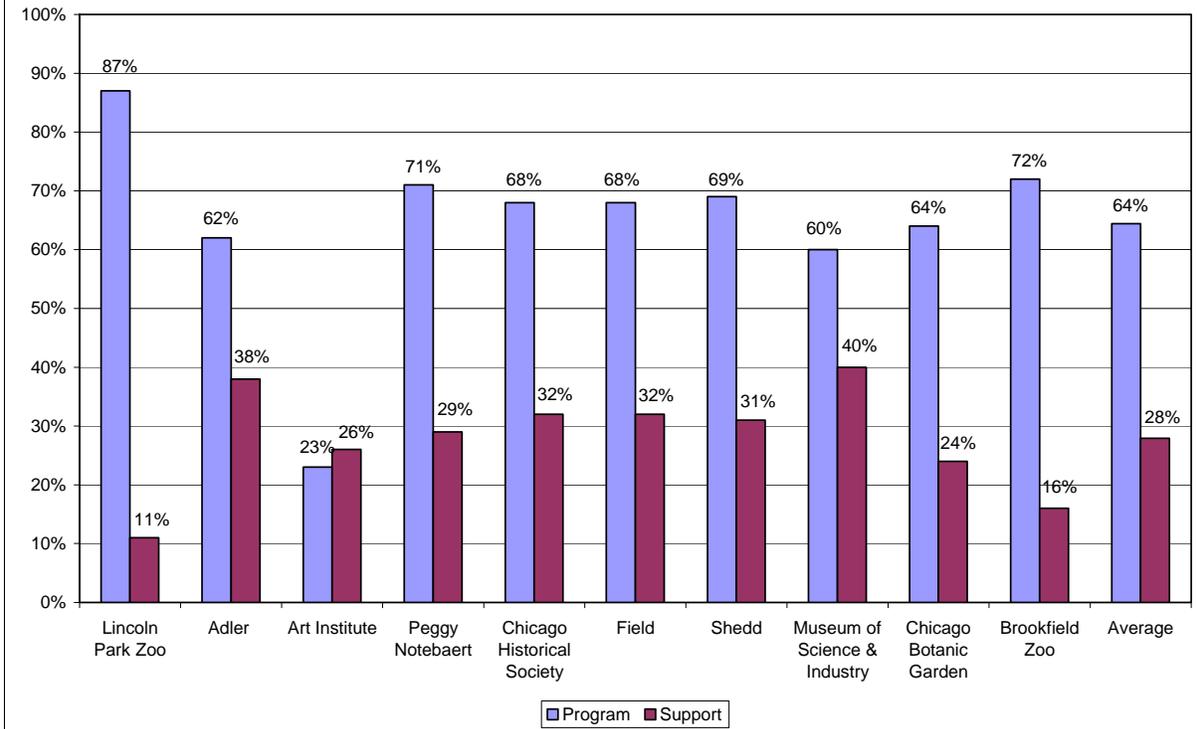
*Total Institutional Spending*

For the 10 institutions in this chapter, program services represented an average of 62% of overall spending in FY1999, and a slightly higher 64% in FY2002. As explained above, the two categories examined here, program services and support services, do not account for all expenditures. (The School of the Art Institute, for example, accounted for roughly 40% of the Art Institute's total spending.) As a result, the summary charts do not represent all expenditures for each of the institutions. They are intended to provide a comparative overview of the proportion of total spending dedicated to program versus support services at each of the institutions studied in FY1999 and FY2002.

**PROGRAM SERVICES VS. SUPPORT SERVICES: FY1999**



**PROGRAM SERVICES VS. SUPPORT SERVICES: FY2002**



**APPENDIX III: ECONOMIC IMPACT OF INSTITUTIONS' SPENDING**

**ECONOMIC IMPACT OF CULTURAL INSTITUTIONS'  
SPENDING ON THE NORTHEASTERN ILLINOIS REGION'S  
ECONOMY**

*A Report to*

*The Civic Federation*

**by**

**R | E | A | L**

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## Executive Summary

This report estimates the direct and indirect economic impact of the operating expenses of 12 major cultural institutions on the Chicago regional economy, using data assembled from 2002. The institutions provided information on their expenditures on wages and salaries and general goods and services. This information was entered into a comprehensive model of the Chicago economy to estimate the ripple effects on local production, wages and employment.

The model found that the institutions' total spending on operations accounts for \$1.14 billion worth of productive activity, including almost 6,500 jobs generating \$273 million in wage and salary income.

In this report, it is not possible to assign a precise dollar figure of total extended economic impact created by each individual visit to a major cultural institution. Unfortunately, there is no detailed survey data reporting how much cultural tourists spend on hotel accommodations, meals, theater tickets, cab fares, guidebooks, snacks or souvenirs. So it is impossible to state with precision that each tourist's visit to a museum or zoo represents \$x in hotel revenues, \$y in restaurant meals, and \$z in other purchases. Similarly, this report does not attempt to sort out the relative economic impact of one institution versus another. Instead, we are attempting to give some sense of the cumulative impact of these institutions' direct purchase of goods and services on the local economy.

The Regional Economics Applications Laboratory would like to thank Laurence Msall and Roland Calia for their advice, encouragement and organization, which made the creation of this report such a pleasure. Members of the Civic Federation's *Task Force on Funding of Cultural Institutions* have been particularly generous of their time in contributing advice and suggestions; they clearly care deeply about this topic. Jacqueline Atkins from *Museums in the Park*, Adrienne Archia and Mike Murphy (co-chairs of the Task Force) have been particularly helpful.

## Objectives

The primary objective of this study was to estimate the direct and indirect economic impact of 12 major cultural institutions' operations spending on the economy of the six-county region of northeastern Illinois. A secondary objective was to explore the geographic impact of wage-generated spending within the Chicago metropolitan economy. The institutions analyzed included the nine independently owned and operated museums located on Chicago Park District property in 2002 and three other Chicago-area institutions; all 12 institutions receive subsidies through property tax receipts.

### Exhibit 1: Institutions Included in the Analysis

#### Museums in the Park:

The Adler Planetarium  
The Art Institute of Chicago  
The Chicago Academy of Sciences (Notebaert Museum)  
The Chicago Historical Society  
The DuSable Museum of African American History  
The Field Museum  
The Mexican Fine Arts Center Museum  
The Museum of Science and Industry  
The Shedd Aquarium

#### Others

Lincoln Park Zoo  
Brookfield Zoo  
Chicago Botanic Garden

## Program of Research

Cultural institutions provide significant contributions to the local economy by attracting tourists, employing staff, and spending on goods, services and capital improvements. That spending has a ripple effect throughout the region's economy.

This study uses the Chicago Region Econometric Input-output Model developed by the University of Illinois' Regional Economics Application Laboratory. This comprehensive model traces the effect of spending in one or more sectors on the regional economy as a whole, looking at local production, wages, and employment. This model has been used by government and civic groups to measure the total economic impact of the Monet Exhibit at the Art Institute of Chicago, the Lyric Opera's Ring Cycle, the Democratic National Convention and the LaSalle Bank Chicago Marathon, as well as the regional impact of redevelopment on the South Side of Chicago.

## Input Data

The total operating expenditures of the 12 institutions and their combined employee headcount were entered into the model; data were also available by specific institution. Using the REAL model, estimates were made of the impact of the institutions' combined spending on the economy as a whole and on specific, aggregated sectors.

## Results I: Operations Expenditures

Exhibit 2 provides the summary impacts derived from the expenditures on operations. In the table, the impacts are divided into three categories: *Output* – essentially the value of goods and services produced; *Wages* – the part of output allocated to wages and salaries, and *Employment* – number of jobs created.

**Exhibit 2: Impacts of Operations Expenditure on the Economy**

	<i>Output</i> [\$ million]	<i>Wages</i> [\$ million]	<i>Employment</i>
<b>Resources</b>	\$1.76	\$0.52	10
<b>Construction</b>	\$44.93	\$9.89	130
<b>Nondurables</b>	\$137.74	\$17.86	220
<b>Durables</b>	\$82.67	\$10.59	120
<b>TCU*</b>	\$37.95	\$7.07	70
<b>Trade</b>	\$50.40	\$11.55	190
<b>FIRE**</b>	\$109.66	\$12.54	190
<b>Services</b>	\$667.21	\$198.58	5,510
<b>Government</b>	\$10.38	\$3.96	50
<b>Total</b>	<b>\$1,142.70</b>	<b>\$272.57</b>	<b>6,510</b>
<b>Direct</b>	\$485.25	\$149.10	4.71
<b>Indirect</b>	\$657.44	\$123.47	1.80
<b>Multiplier</b>	2.35	1.83	1.38

*\* Transportation, Communications and Utilities; \*\* Finance, Insurance and Real Estate*

In Exhibit 2, the row labeled *Direct* records the amount spent directly on operating expenses, \$485.25 million. The row labeled *Indirect* summarizes the ripple effects of these direct expenditures, including the impact of employees' spending. The total regional economic impact from the institutions' operating expenditure is \$1.14 billion. This translates into 6,510 jobs and associated wages and salaries of \$272.5 million. The *Multiplier*, the output impact of each operations dollar spent, is 2.35, which means that every dollar spent generates another \$1.35 in the region. The employment multiplier is 1.38, meaning that each direct job (in the institutions themselves) generates a further 0.38 jobs elsewhere in the region.

The table also shows the allocation of the total impacts by nine aggregated sectors (groupings of the 53 sectors maintained in the Chicago model). In employment terms, the largest sector impacts are non-manufacturing. (In these aggregated sectors, the cultural institutions are included in the Services sector.) The model shows that the Trade, FIRE (Fire Insurance and Real Estate) and Services sectors account for almost 5,900 of the 6,510 jobs generated. However, note that the two Manufacturing sectors account for over \$180 million of the output. The demands on these sectors come from locally manufactured products purchased directly by the institutions, from demands for goods generated indirectly by personal spending by institutions' employees, and from spending by employees in other sectors whose production is linked, directly or indirectly, to the institutions' expenditures.

## Results II: Wage and Salary Impacts

To assess the geographic impact of wage income on the local economy, the cultural institutions listed in Exhibit 1 were split into two groups – those in the Loop/Near North (essentially the Museums in the Park and Lincoln Park Zoo) and those in other areas. REAL has estimated the way wages generated in one area of the region creates income in other areas, as shown in Exhibit 3.

**Exhibit 3: Spatial Impact of Income**

	Income [\$ million]	Percent of Regional Total
Loop/North Chicago	\$152.19	55.83%
DuPage	\$16.11	5.91%
Kane	\$2.92	1.07%
Lake	\$7.82	2.87%
McHenry	\$0.86	0.32%
North Cook	\$31.73	11.64%
South Chicago	\$10.07	3.69%
South Cook	\$6.31	2.31%
West Chicago	\$19.92	7.31%
West Cook	\$22.74	8.34%
Will	\$1.91	0.70%
<b>Total</b>	<b>\$272.57</b>	<b>100.00%</b>

Obviously, the indirect effects are derived primarily through consumption spending; the institutions' employees reside throughout the region, and spend money on goods and services in locations outside their neighborhoods and workplaces. Almost 56% of the income ends up in the Loop/North Chicago area, where almost 80% of the direct institutional expenditures are made. The data in the table show that the city of Chicago garners nearly two-thirds of the income (Loop/North Chicago, West Chicago, South Chicago); just over 89% remains in Cook County.

## **GLOSSARY**

**OUTPUT:** The value of goods and services produced

**WAGES:** The part of output allocated to wages and salaries

**EMPLOYMENT:** The number of jobs created

**DIRECT IMPACT:** Expenditures made by the cultural institutions

**INDIRECT IMPACT:** The ripple effect of direct expenditures, in which direct change in one sector leads to expansion in other sectors

**MULTIPLIER:** The additional economic production generated by each dollar of direct expenditure. For example, a multiplier of 2.0 means that each direct dollar generates \$1 of additional production elsewhere in the economy

## **ECONOMIC SECTOR TERMS**

**RESOURCES:** Agriculture & Agricultural Products, Mining, Forestry, Fisheries

**CONSTRUCTION:** Building & Construction

**NONDURABLES:** Food; Tobacco; Apparel; Lumber; Furniture; Printing & Publishing; Chemicals & Allied Products; Petroleum & Coal Products; Rubber & Plastics Products; Leather & Leather Products, Stone, Clay & Glass Products; Primary Metals Industries

**DURABLES:** Fabricated Metal Products; Industrial Machinery & Equipment; Electronic & Electric Equipment; Transportation Equipment; Instruments; Miscellaneous Manufacturing Industries

**TCU:** Transportation, Communication & Utilities Industries

**TRADE:** Wholesale Trade & Retail Trade

**FIRE:** Finance, Insurance & Real Estate

**SERVICES:** Eating & Drinking Places; Hotels; Personal Services; Business, Engineering & Management Services; Auto Repair & Parking; Miscellaneous Repair Services; Motion Pictures; Amusement & Recreation Services; Health Services; Legal Services; Educational Services; Social Services; Membership Organizations

**GOVERNMENT:** Federal Government Enterprises; State & Local Government Enterprises

## **About the Regional Economics Applications Laboratory**

REAL was formed in 1989 as a joint venture between the University of Illinois and the Federal Reserve Bank of Chicago. Its mission was to enhance the quality of decision-making in the region through the provision of analytical information derived from economic models. REAL has performed analysis for a variety of clients including Comedy, AMERITECH, City Colleges of Chicago, City of Chicago, Environmental Law and Policy Center, LaSalle Bank, Metropolitan Planning Council, The Art Institute of Chicago, Lyric Opera of Chicago, and Chicago United.

Analysis has focused on diverse issues – new job opportunities in the Chicago region, circulation of income flows within Chicago, impact of the Democratic National Convention, impact of the Monet Exhibition, the Ring Cycle and the Chicago Marathon.

REAL has also developed companion models for the Midwestern states and is currently exploring the role of interstate and international trade and their impacts on economic growth. International activities are centered on Brazil, Chile, Colombia, Indonesia and Japan.

REAL is directed by Geoffrey Hewings, a professor in the departments of geography, economics and urban and regional planning at the University of Illinois, where he has been on the faculty since 1974. He has worked in the area of regional economic analysis for over 30 years and directs a small, dedicated staff and graduate research assistants.

## Appendix A

Although the REAL model estimates construction activities as a segment of normal operations spending, the institutions offered real-dollar amounts spent on construction activities for separate analysis. In total, the institutions spent \$87 million on construction and renovation. That generated a total impact of \$168 million, translating into more than 1,500 jobs generating wage and salary income of almost \$55 million.

### Exhibit A: Summary Impacts from Renovation and Construction Activities

	<i>Output</i> [\$ million]	<i>Wages</i> [\$ million]	<i>Employment</i>
<b>Resources</b>	\$0.28	\$0.14	10
<b>Construction</b>	\$47.16	\$17.98	480
<b>Nondurable Manuf.</b>	\$13.26	\$2.53	60
<b>Durable Manuf.</b>	\$45.76	\$10.10	240
<b>TCU</b>	\$6.48	\$2.06	50
<b>Trade</b>	\$17.91	\$7.07	230
<b>FIRE</b>	\$12.28	\$2.51	80
<b>Services</b>	\$24.91	\$12.06	370
<b>Government</b>	\$0.47	\$0.30	10
<b>Total</b>	<b>\$168.50</b>	<b>\$54.76</b>	<b>1,510*</b>
<b>Direct</b>	\$87.04	\$27.96	740
<b>Indirect</b>	\$81.47	\$26.80	770
<b>Multiplier</b>	1.94	1.96	2,050

*Notes: TCU is Transportation, Communications and Utilities; FIRE is Finance, Insurance and Real Estate*  
\*Due to rounding, the employment figures do not add up precisely.

In Exhibit A, the row labeled *Direct* records the \$87 million spent directly on construction activity. The model estimates that 740 construction jobs were directly associated with this expenditure, generating \$27.96 million paid directly in wages and salaries. The row labeled *Indirect* summarizes the ripple effects of these direct expenditures, including spending by construction workers employed on the projects. The Chicago model estimates the construction spending generated \$168.5 million of increased production, \$54.76 million of additional wages and salaries and 1,510 jobs.

Taken as a whole, the ripple effect (labeled *Multiplier* in the table) from these expenditures is 1.94. That means each dollar of direct expenditure on construction generates a further 94 cents of production elsewhere in the economy. A similar result is found for income and employment.

Not surprisingly, the larger impacts on increased production are found in the Construction sector and Durable and Nondurable Manufacturing. In employment terms, apart from the Construction sector itself, over 600 of the total 1,510 jobs are found in the Trade and Services sectors.

## **Appendix B**

### **Model Structure**

#### **The Chicago Region Econometric Input-Output Model**

##### **General Structure**

The Chicago Region Econometric Input-output Model [CREIM] generates forecasts of the Chicago economy on an annual basis, with the forecast horizon extending up to 25 years. The model is composed of two major components, an input-output module and an econometric module. The diagram below summarizes the main features of the model. It is a system of linear equations formulated to predict the behavior of 151 endogenous variables, and consists of 123 behavioral equations, 28 accounting identities, and 68 exogenous variables. CREIM identifies 36 industries and three government sectors. For each industry, there are projections of output, employment, and earnings.

Among the other variables depicted by the model are Gross State Product, personal consumption expenditures, investment, state and local government expenditures, exports, labor force, unemployment rate, personal income, net migration, population, and the consumer price index.

##### **The Input-Output Module**

This module was constructed from establishment-level data obtained from the U.S. Bureau of the Census. Three models have been developed, based on 1982, 1987 and 1992 data. The earlier two models were developed at the 36 sector level, while the one for 1992 contained 53 sectors

Since survey-based systems are prohibitively expensive, researchers developing regional input-output models have relied on a variety of adjustments of national level data. There are many problems with this approach; first, the latest available national table is for 1987, and this table only appeared in mid-1993. While updates have been made annually, the reliability of these updates is not known. Secondly, the adjustment process in developing regional from national tables relies on a large number of assumptions; the most critical being the one that assumes that the technology at the regional and national levels is identical. Since there has been little survey work done to test this assumption, it often reverts to an assertion. Preliminary analysis with the Census data suggests that differences between national and regional technologies may be significant.

REAL's approach to table construction avoids many of these problems, since survey data is used to build the manufacturing portions of the tables. Since the data has already been collected by the Bureau of the Census, the tables are constructed at a fraction of the time and expense usually associated with survey-based methods. Once constructed, the input-output table reveals the linkages that exist between the sectors in the region. Thirty-six sectors were identified for Chicago - essentially, the two-digit SIC manufacturing sectors and somewhat more aggregated sectors for non-manufacturing. Table 2 describes the sectoring scheme used. While data are available at the individual establishment level, Federal Disclosure Rules preclude the publication of data that would reveal the transactions of individual firms or would enable reasonable estimation from information presented.

In addition to the transactions between sectors, the table also records the purchases made from labor (wages and salaries), capital (profits and undistributed dividends) and imports from outside the state. Complementing the sales made to other sectors are sales to households (consumers), government, investment and exports outside of Chicago. With this table one has, in essence, an economic photograph of the state of Chicago, captured at one point in time. Adding the econometric component enables the analyst to extend this photograph back in time to test the reliability of the system in tracking the changes

that have been observed in the economy (this process is known as backcasting) and to redevelop this photograph each year for the next 20 to 25 years producing the annual forecasts.

### **Solving the Model**

The model is solved in a number of ways; in this example, assume that US exports increase as a result of a stimulus generated by increased demand in Eastern Europe or the Former Soviet Union. In Stage I, the model first allocates a share of these exports to the Chicago region and these provide the first stimulus to an increase in local production. In the diagram below, the stimulus would be shown as entering the system through the US economy model (in this case DRI's model) to generate an increase in Chicago's exports.

In Stage II, production of local exports generates a set of internal demands - i.e., the regional interindustry demands. The individual output equations capture these internal demands using the input-output relationships. Unlike many other models that use national input-output coefficients, CREIM uses Chicago-specific input-output transactions. In addition, input-output coefficients are adjusted for changing supply-demand relationships, thus creating the possibilities for changes in interindustry dependencies on an annual basis. This equilibrium adjustment process - which includes a complex system of interacting equations - avoids one of the major criticisms of the input-output models, namely their static nature.

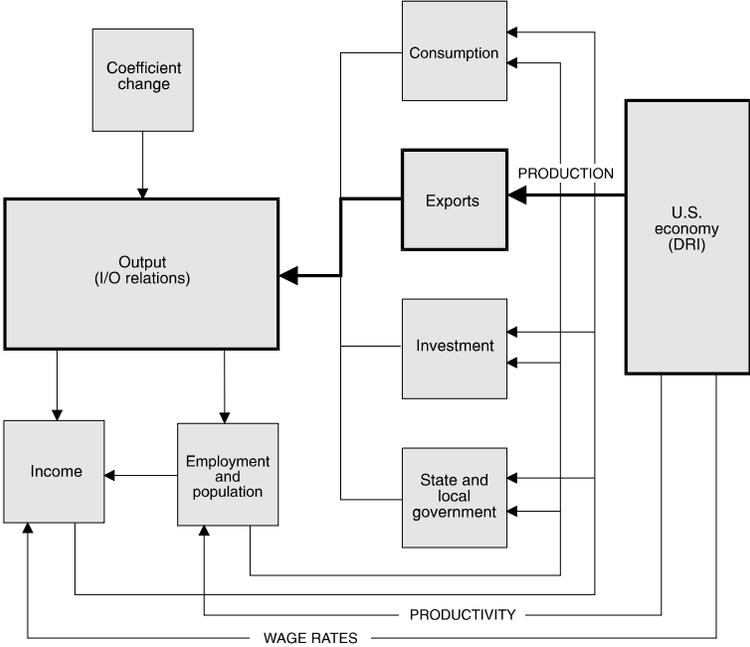
In Stage III, forecasts of output (obtained using national data and exports) are combined with forecasts of labor productivity and wage rates to predict employment and earnings by industry. These projections are further combined with projections of the labor force participation rate and the unemployment rate to obtain population forecasts. Meanwhile, total earnings are obtained by predictions of property income, transfer payments, residence adjustments and personal contributions to social insurance.

Total earnings are then combined with population forecasts to obtain estimates of personal income in Stage IV. This completes the path of the first set of demands - those originating initially outside the system (Chicago Region). Personal income and population now expand internal demands, the final demand sectors, comprised of consumption, investment, and government (Stage V). Very briefly, four types of consumption expenditures and three types of investment expenditures are considered, along with one type of state and local government expenditure.

Until now, the entire stimulus to the Chicago economy has come from external demand (in this case, exports). Tracing through the effects, one arrived at increases in personal income; the expenditures of these increases in personal income give rise to the second set of demands that drive the model. These are the internal demands and, in some cases, these can account for the more significant part of the total changes in the regional economy.

In the final stage, Stage VI, the model is brought to closure as the above final demands feed into the input-output sectors. This time, though, the output increases that result come not in response to exports but in response to increased internal demand for goods and services, both public and private. This increased demand works its way through the input-output module in exactly the same way as the export stimulus did - resulting in another chain of increases in output, employment, earnings, population, income, and again, final demand. This is a slice of the ripple or multiplier effect; it will continue to work its way through the system but each time around the impact will become smaller and smaller until the effects are negligible. The model mimics this process through a series of iterations until convergence is obtained for each year the model is run. Several alternative stimuli can be handled - a change in federal government expenditures, location of new firms or closure of existing ones, as well as the effects of increased or decreased exports. One of the major advantages of CREIM is its ability to track impacts throughout the economy and through time. Thus, the effects of a one-shot change can be calculated in comparison to a change that was made permanent. This distinction is very important in differentiating between the construction and operating phases of a major project.

**Structure of the Macro Model**



## Sectoring Scheme in the Chicago Model

	<u>Title</u>	<u>SIC</u>
1	Livestock, Livestock Products, and Agricultural Products	01, 02
2	Agriculture, Forestry, and Fisheries	07, 08, 09
3	Mining	10, 12, 13, 14
4	Construction	15, 16, 17
5	Food and Kindred Products	20
6	Tobacco	21
7	Apparel and Textile Products	22, 23
8	Lumber and Wood Products	24
9	Furniture and Fixtures	25
10	Printing and Publishing	27
12	Chemicals and Allied Products	28
13	Petroleum and Coal Products	29
14	Rubber and Misc. Plastics Products	30
15	Leather and Leather Products	31
16	Stone, Clay, and Glass Products	32
17	Primary Metals Industries	33
18	Fabricated Metal Products	34
19	Industrial Machinery and Equipment	35
20	Electronic and Electric Equipment	36
21	Transportation Equipment	37
22	Instruments and Related Products	38
23	Miscellaneous Manufacturing Industries	39
24	Railroad Transportation and Transportation	40, 47
25	Local and Interurban Passenger Transit	41
26	Trucking and Warehousing	42
27	Water Transportation	44
28	Transportation by Air	45
29	Pipelines, Except Natural Gas	46
30	Communications	48
31	Electric, Gas, and Sanitary Services	49
32	Wholesale Trade	50, 51
33	Retail Trade	52-57, 59
34	Banking and Other Credit Agencies	60, 61, 67
35	Security and Commodity Brokers	68
36	Insurance Carriers	63
37	Insurance Agents, Brokers, and Service	64
38	Real Estate	65
39	Eating and Drinking Places	58
40	Hotels and Other Lodging Places	70
41	Personal Services	72
42	Business, Engineering, and Management Services	73, 87, 89
43	Auto Repair, Services, and Parking	75
44	Miscellaneous Repair Services	76
45	Motion Pictures	78
46	Amusement and Recreation Services	79
47	Health Services	80
48	Legal Services	81
49	Educational Services	82
50	Social Services	83
51	Membership Organizations and Households	84, 86, 88
52	Federal Government Enterprises	
53	State and Local Government Enterprises	

**APPENDIX IV: MEMBERS OF THE CIVIC FEDERATION TASK FORCE  
ON THE PUBLIC FUNDING OF CULTURAL INSTITUTIONS IN  
NORTHEASTERN ILLINOIS**

<b>NAME</b>	<b>AFFILIATION</b>
Stephen Abbey	Bank One
*Adrienne Archia	First Albany Capital
*Jacqueline Atkins	The Museums in the Park
Grace Barry	Economic Club of Chicago
Theodore A. Beattie	John G. Shedd Aquarium
Mena Boulanger	Chicago Zoological Society, Brookfield Zoo
Lonnie G. Bunch	Chicago Historical Society
Barbara Whitney Carr	Chicago Botanic Garden
*Jim Chiampas	Chicago Park District
*Richard Ciccerone	McDonnell Investment Management LLC
Hon. Forrest Claypool	Cook County Board of Commissioners
Kevork Derderian	Continental Offices, Ltd.
*David Doig	GenOne Group
Charles Gardner	CDCT Land Company LLC
Thomas J. Glaser	Cook County
Timothy "Bo" Kemper	The Chester Foundation
John McCaffrey	Foley and Lardner
John McCarter Jr.	The Field Museum
Lester McKeever Jr.	Washington, Pittman & McKeever, LLC
Timothy Mitchell	Chicago Park District
David R. Mosena	The Museum of Science and Industry
*Michael Murphy	Sara Lee Corporation
Hon. Anthony Peraica	Cook County Board of Commissioners
Joseph Starshak	Starshak Welnhofner
Barbara Stewart	JP Morgan Chase
Stuart Strahl	Chicago Zoological Society, Brookfield Zoo
*Hon. Larry Suffredin	Cook County Board of Commissioners
Carlos Tortolero	Mexican Fine Arts Center Museum
Erma Tranter	Friends of the Parks
Robin Tryloff	Sara Lee Foundation
John Ward	O'Keefe Lyons & Hynes, LLC
Lois Weisberg	City of Chicago
Vince White-Petteruti	The Civic Committee
Antoinette Wright	DuSable Museum of African American History

**(Affiliations current as of December 31, 2005.)**

\*Steering Committee