

Life and Style

## **Hit by the Downturn, Museums Seek Bailouts; Several Forge Partnerships With Universities, Even Hand Over Artwork, to Keep Doors Open Amid Deficits**

By Shelly Banjo

1,282 words

20 May 2010

The Wall Street Journal Online

WSJO

Arts & Entertainment

English

Copyright 2010 Dow Jones & Company, Inc. All Rights Reserved.

(See Correction & Amplification [below](#).)

The Magnes Museum is giving away its entire collection of prized Jewish art, including a 19th-century ketubah, or marriage contract, from one of India's oldest Jewish communities.

The Berkeley, Calif., museum doesn't have enough money to maintain the 10,000-piece collection, says Alla Efimova, executive director of the Magnes, and so it will turn the trove over to an unlikely rescuer: the University of California-Berkeley, part of California's public university system, which has experienced its own budget shortfall of \$1 billion this past year. But the museum says UC-Berkeley is in a better financial position to oversee the collection.

"There was just not enough money to go around and we needed to do something to ensure the institution would continue," Ms. Efimova says.

Tottering under years of deficits, accumulated debt and declining donations, several of the country's small and medium-size museums have been turning to the art-world equivalent of a bailout. They are partnering with a university or other academic institution, in some cases handing over artworks and changing locations, in a last-ditch effort to keep their doors open and their collections intact and available to the public.

In Portland, Ore., the Museum of Contemporary Craft—founded in 1937 as a ceramics studio and today one of the nation's oldest nonprofit art galleries, with works of glass, metal, fiber, wood and ceramics—narrowly avoided collapse last year by virtue of an almost \$1.4 million bailout from the Pacific Northwest College of Art. The college paid off the museum's debts, and it is taking over some fund-raising and giving financial support.

In Berkeley, the Magnes is packing up the objects in its current home, a century-old 8,500-square-foot manor with manicured gardens, and relocating to an 18,000-square-foot former printing plant that it owns a block away from UC Berkeley. The mansion is on the market with a \$3 million asking price.

Museums' financial strain follows years of ambitious expansions, large executive pay packages and far-reaching real-estate investments undertaken during the real-estate boom. Many museums took on debt to finance these activities—only to have the floor fall out from under their endowments in 2008 when the market crashed. Last year, the Gulf Coast Museum of Art in Largo, Fla., shut its doors and gave its 435-piece collection of contemporary Florida art to St. Petersburg College, after seeing its \$8 million endowment shrivel to \$500,000.

The Magnes, founded in Berkeley in 1962 by the late Seymour Fromer, was named for Judah L. Magnes, one of the founders of Israel's Hebrew University. Fromer wanted to create a place dedicated to the Jewish art and history of the American West. Over the years, the museum purchased two buildings in downtown Berkeley, including the former printing plant, and added ambitious educational programming.

By 2002 the Magnes found it could no longer keep up the costs of running the museum. It entered into costly plans to merge with the Jewish Museum of San Francisco, in the hopes that by combining resources with a similar institution, it could become financially sustainable. In a matter of months, both institutions had agreed to unwind the merger, citing a "mission misfit."

The Magnes still couldn't afford the necessary upkeep of its rare collection, Ms. Efimova says. Finally,

several large donors and foundations including investor Warren Hellman stepped in to broker the deal with UC-Berkeley. They are putting up the money to cover costs for the first five years of the integration.

Another Magnes donor, John Riley, says he supports the merger as a way to preserve the museum and its legacy. The grandson of Jacques Reutlinger, a San Francisco philanthropist who before his death set up a \$1 million fund dedicated to supporting the Magnes Museum, Mr. Riley will turn over his trusteeship of the fund to the university. He says he has concerns. "University of California-Berkeley is having funding problems, so we are taking a risk," Mr. Riley says.

A UC-Berkeley spokeswoman says the university conducted a "hard-edged assessment" of the deal. "The collaboration between the Magnes Museum and UC Berkeley is financially feasible," she says.

Financial emergencies represent especially difficult dilemmas for museum donors. If they continue to write checks to keep a museum afloat, the museum might fail anyway. If they support a partnership or change-in-control, it might infringe on the institution's unique character. Donors also worry about the financial health of their rescuers: Many universities are struggling with the same funding cuts, shrinking endowments and slowdown in private contributions that afflict museums. The arts and higher education were both hit hard by the economic downturn. In 2008, donations to arts institutions and education organizations each declined by almost 10% compared with 2007, according to the Giving USA Foundation, which tracks the data. Both types of organizations saw their endowments shrink, in some cases by as much as 30%.

Some museums are holding out. The Fresno Art Museum, trying to cope with budget shortfalls by laying off staff, contemplated a merger with the University of California-Fresno earlier this year. It recently decided against the move. "We were concerned with turning over our art collection to the state system with no guarantee that the art would stay in our community," says Tom Speck, chair of the museum board. The university declined to comment.

Instead of a merger, the museum board decided to stick to a plan to cut expenses and create a five-year strategic plan to increase donations, run a leaner operation, embrace more local artists and beef up the board of trustees from 12 to 26 members. It also hired a new permanent executive director. Mr. Speck says the museum's finances are in the black. "It was definitely a wake-up call to stop spending beyond our means," he says.

Museum directors say joining forces with an academic institution can be a good option for a jewel-box institution in financial trouble. Universities, they say, are likely to keep a collection intact. And a university is more likely than a private collector to maintain public access.

Portland's Museum of Contemporary Craft needed a lifesaver last year, unable to raise enough money to continue paying for its \$5.5 million expansion in 2007 into a large, new home in the downtown Pearl district. With its 1,000-piece collection serving as collateral on about \$1.4 million in outstanding bank debt, the museum whacked its \$2.2 million budget in half, laid off a third of its staff and cut back on its newly-expanded educational programs.

Enter the Pacific Northwest College of Art, which was looking to expand its craft and design curriculum and to inherit a top-notch exhibition space. It agreed to absorb the museum's liabilities and take over the institution, dipping into a \$15 million donation it had previously received for operating support. The college was able to renegotiate \$300,000 of the remaining bank debt, and it got the museum's 15,000-square foot building as part of the deal. And the crafts museum will stay put in its new home.

Write to Shelly Banjo at [shelly.banjo@wsj.com](mailto:shelly.banjo@wsj.com)

Correction & Amplification

The Fresno Art Museum considered merging with California State University, Fresno but ultimately did not. This article incorrectly refers to the school as University of California-Fresno.

Document WSJO000020100519e65k007q8