



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #375

### Circus World Museum (Historical Society)

[LFB 2013-15 Budget Summary: Page 262, #3]

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#### CURRENT LAW

The Circus World Museum facilities, artifacts, and site are owned by the Wisconsin Historical Society. Operations of the museum are managed privately through a lease and management agreement with the Circus World Museum Foundation.

#### GOVERNOR

Provide \$500,000 GPR in 2013-14 and \$700,000 GPR in 2014-15 and 6.0 GPR positions beginning in 2013-14, \$303,600 PR annually and 2.0 PR positions beginning in 2013-14, and \$962,500 SEG annually and 2.0 SEG positions beginning in 2013-14 to provide funding for the Circus World Museum to operate as a historic site within the Wisconsin Historical Society. Provide that the Historical Society would operate and maintain Circus World Museum as a historic site, if there is not a lease agreement in effect with the Circus World Museum Foundation for the purpose of operating the museum.

#### DISCUSSION POINTS

1. The Circus World Museum was founded by a former employee of the Ringling Brothers and other circus enthusiasts, on a portion of the site of the winter quarters of the Ringling Bros. and Barnum & Bailey Circus, in the Ringlings' hometown of Baraboo, WI. Ownership of the new museum transferred to the Historical Society upon its opening in 1959. The next year, the Wisconsin Historical Society (WHS) arranged for a private foundation, presently the Circus World Museum Foundation (Foundation), to operate the Museum on behalf of the state. The Foundation has continued to operate the Museum for 53 years, through a lease and management contract with the Historical Society that has been renewed every five years. (The lease and management

agreement is next due for renewal in 2014.) Following a request by the Board of the Foundation for additional state funds, the Governor recommended under AB 40 that management of the Circus World Museum be transferred from the private foundation to the state of Wisconsin, to be operated and funded in a manner consistent with the state's other 11 historic sites and museums within WHS.

2. The Circus World Museum is the largest circus history museum in the world, including: (a) seven National Historic Landmark Ringling Brothers winter quarters buildings; (b) a library and research center; (c) an exhibit hall and visitors center; (d) a circus wagon restoration center and a circus wagon pavilion; and (e) a hippodrome performance building. Collections include 220 historic circus wagons, classic vehicles, and historic railroad cars, as well as circus artifacts, circus posters, paintings, photographs, lithographs, recordings, and other materials.

3. Staffing levels and revenues at Circus World have decreased steadily since 2000, due to a steep decline in paid admissions at the Museum and the extended hiatus of the Great Circus Parade in Milwaukee since 2003. Although attendance has rebounded from its low point in 2006, the percentage of attendance that is non-paid (through coupons and other free admissions) has increased from 28% in 2000 to 41% in 2011. Total attendance was 143,300 and total admissions revenue was \$865,600 in 2000. However, total attendance had fallen to 52,360 by 2008, but rebounded to 65,600 in 2011 with admissions revenue of \$447,300. (Attendance was 71,076 in 2012, but final paid and non-paid figures, and audited admissions revenue, for 2012 is not yet available.)

4. Revenues are derived primarily from admissions, fundraising, donations, and food service and museum store sales. The Foundation received significant income from the Great Circus Parade, held annually in Milwaukee between 1985 and 2003, generating up to \$750,000, but was then discontinued. The parade was moved to Baraboo for 2004 and 2005, but generated minimal profit and was discontinued. The parade was staged in Milwaukee on a one-time basis in 2009, providing approximately \$773,400 in profit and significantly improving the Foundation's financial position. In addition, in 2010 the Foundation allowed a film company to rent 15 circus wagons for use in a film production ("Water for Elephants"), which provided additional one-time revenue of \$352,000 in that year.

5. As revenues have declined over the past decade, at several points staff were laid off or resigned as the Foundation worked to control costs, and the state provided financial assistance to operate the Museum. After 2005, the Foundation stopped making debt service payments on state bonds for the Museum's exhibit hall and visitors center, built in 1987. The Historical Society voluntarily paid debt service on the Foundation's behalf for several years. Finally in 2011, the debt was forgiven through a \$350,000 one-time grant from the state Building Commission. The result was that CWM Foundation was relieved of all responsibility for the debt, and the Historical Society was reimbursed for its payments made on the Foundation's behalf. (The Society has continued making small annual debt service payments to retire the remainder of the bonds. Payments totaled \$8,300 in 2011-12 and will decline to \$2,500 by 2015-16, the last year of payments.)

6. In addition, the Foundation no longer reimburses the Society for municipal services payments (owed on behalf of property tax-exempt state properties). Since 2005, a total of \$127,000 in charges for municipal services have been paid by the Historical Society on the Foundation's

behalf.

7. Under 2007 Act 20 (the 2007-09 state budget), additional fuel and utilities funding was provided in the Historical Society's fuel and utilities appropriation, to pay those costs on the Foundation's behalf on a one-time basis. Funding was equal to \$142,600 in 2007-08 and \$147,600 in 2008-09. This subsidy was made permanent under 2009 Act 28 (the 2009-11 state budget), and equaled \$147,600 in 2009-10 and 2010-11, and decreased to \$125,100 in 2011-12 and 2012-13.

8. The following table, taken from audited financial statements for the Foundation for calendar years 2000 to 2011, shows total revenues and expenses (financial statements for 2012 are not yet available). According to the Foundation's financial statements, in 2000, the CWM Foundation had revenues of \$4.3 million, and at that time had approximately 30 employees. The Foundation's 2013 operating budget estimated operating revenues at \$1,443,700 (with an additional \$140,000 taken from revenues received in prior years), and estimated expenditures at \$1,541,200, with seven full-time positions.

<u>Calendar Year</u>	<u>Total Revenues</u>	<u>Total Expenses</u>	<u>Difference in Revenues &amp; Expenses</u>	<u>Non-Operating Costs</u>	<u>Net Assets at End of Year</u>
2000	\$4,300,500	-\$4,378,100	-\$77,600		-\$86,500
2001	4,596,800	-4,427,800	169,000		82,500
2002	4,594,500	-4,858,700	-264,200		-181,700
2003	3,876,700	-3,954,800	-78,100		-259,800
2004	2,267,800	-2,518,200	-250,400		-510,200
2005	1,959,700	-2,084,900	-125,200		-635,400
2006	1,679,200	-1,652,200	27,000		-608,400
2007	1,562,600	-1,555,500	7,100	-\$9,500	-610,800
2008	1,298,100	-1,615,700	-317,600	-11,600	-940,000
2009	2,975,200	-2,090,600	884,600	-46,200	-101,600
2010	1,525,100	-1,378,100	147,000	-13,400	32,000
2011	1,778,900	-1,508,700	270,200	-54,600	247,600

9. The Foundation's approved 2013 budget included expenses for live performances during the summer season, museum store goods to be sold, library services, guest services, exhibits, marketing, fundraising, and facilities costs, and administration. The Foundation's approved budget indicates that the difference in 2013 operating revenues and expenses, an estimated -\$97,500, would be covered with gift monies and endowment funds received in prior years. On January 18, 2013, the Chairman of the Foundation Board sent a letter to the Director of the Historical Society to inform him of the Foundation's intention to request state funding for Circus World's operation from the Governor and Legislature. Further, in the letter, the Foundation requested that WHS support their effort to secure this state funding for Circus World operations. Under this approach, the Foundation would continue to operate the Museum privately through the current operating lease, with additional state support received directly by the Foundation.

10. The Governor's AB 40 recommendations include funding and authority for 10.0 FTE positions at Circus World, three positions more than the current seven full-time employees.

The Historical Society has proposed that: (a) a facility repair worker; (b) a curator of artifacts; and (c) a development director should be added to the Circus World staff. A facility repair worker would help care for the Museum's collections and 42 buildings spread over 60 acres. A full-time development director could identify circus enthusiasts and fundraising opportunities nationwide. Further, staff from WHS have expressed concerns that the collection of thousands of historic circus artifacts will deteriorate without proper preservation and maintenance by a trained curator. According to the Foundation's financial statements, expenditures identified as historic restoration and preservation decreased from \$356,600 in 2000 to as low as \$16,700 in 2010, although they increased to \$32,300 in 2011.

11. The staffing pattern recommended by the Historical Society for Circus World would be based on the organizational structure of Old World Wisconsin (OWW), the historic site closest to the Museum in size, type, and operations. If Circus World were to become a state-run historic site, the Historical Society recommended that the organizational structure include the following authorized positions: (a) 1.0 director/historic site manager; (b) 1.0 site coordinator/program director; (c) 1.0 building/grounds supervisor; (d) 1.0 facilities repair worker; (e) 1.0 marketing specialist--guest services; (f) 1.0 curator of artifacts; (g) 1.0 archivist; (h) 1.0 development director; (i) 0.5 museum store manager; (j) 0.5 librarian; and (k) 1.0 operations program associate. Historical Society staff indicates that their preference would be to retain current Foundation staff members if possible under state hiring processes.

12. Of the 10.0 positions, under the bill: (a) 6.0 GPR positions would be funded with \$348,200 GPR in 2013-14 and \$485,800 GPR in 2014-15; (b) 2.0 PR positions would be supported with program revenue from fundraising, gifts, and grants (\$158,400 PR in 2013-14 and \$211,100 PR in 2014-15); and (c) 2.0 SEG positions would be funded with segregated revenue earned from admissions and sales at the Museum (\$129,100 SEG in 2013-14 and \$172,000 SEG in 2014-15). However, staff from DOA indicate that 0.5 position was erroneously placed in the segregated appropriation that should have been placed in the GPR appropriation. The Administration has requested that this correction be made, to provide a total of 6.5 GPR positions and 1.5 SEG positions.

13. It appears that sufficient revenues would be available to support the 2.0 PR positions and 1.5 SEG positions recommended by the Governor. In 2011, Museum revenue from fundraising activities, gifts, and grants totaled approximately \$496,000. Revenue from admissions and sales at the Museum totaled approximately \$861,000. With 6.5 positions funded with GPR, a much larger portion of revenues that are generated from admissions, sales, grants, and fundraising could be shifted to operating the Museum site, producing live performances, maintaining the buildings and grounds, and preserving artifacts, circus wagons, and other collections. In addition, Museum revenues would no longer be expended for an annual audit, human resources services, and other administrative functions, as existing staff at the Historical Society could absorb those duties.

14. The Foundation operates the Circus World Museum through a lease-management contract. That agreement provides an option for the state to terminate the agreement with 30 days' notice. However, WHS staff have indicated a preference to provide a longer notification period, in order to coordinate a smooth transition to state management. A preliminary transfer date of October

1, 2013, has been proposed, after the end of the 2013 summer performance season. This transition, however, would be dependent on good-faith cooperation between the Historical Society and the current Foundation Board.

15. Some have argued that the Museum, which has been operated by the Foundation since 1959, should remain a locally-operated private enterprise. They assert that the Museum's important role in the Baraboo community should be taken into consideration when management decisions are made, and that this interest is best served by retaining the current Foundation structure, staff, and board. In addition, some argue that fundraising would be more difficult if Circus World were operated directly by the state, as some current donors have expressed a preference that the Foundation continue to operate the Museum.

16. On the other hand, other Museum donors and supporters have argued that the site would be more stable with state management and funding, which might encourage other monetary gifts and donations of historically significant artifacts and materials. Also, the Historical Society currently fundraises and has partnered since 1954 with the Wisconsin Historical Foundation, a s. 501(c)(3) organization, to be the official membership, fundraising, and gift-receiving organization for the Historical Society. With additional or re-allocated staff, the Historical Foundation could provide professional fundraising support to Circus World Museum. The Circus World Museum Foundation currently lacks sufficient revenues to support a dedicated development director. In addition, circus history is important to the state's history as a whole, not only to Baraboo, and the state has an interest in preserving this legacy.

17. It has been suggested that, before the state would take over Circus World, a performance audit of the Museum should be conducted by the Legislative Audit Bureau, to assess its finances and business model. However, there is little debate that the Foundation's current business model is unable to sustain its operations, and state support is necessary if the site is to remain open to the public. The ongoing level of GPR funding provided in the Governor's budget recommendation for Circus World, \$700,000 GPR in 2014-15, would increase the site's operating revenues by more than one-third, in addition to the annual utility subsidy. Under AB 40, a large portion of the budget would be subsidized with tax revenues, and it can be argued that more state oversight of the Museum's operation would be warranted.

18. Current Circus World leadership has expressed concern that, should WHS absorb the site, incumbent workers would not be retained as state employees, despite their years of experience and expertise with CWM's collections. WHS staff indicate that current employees have been invited to apply for the new classified positions. However, in order to alleviate this concern, the Committee could consider modifying AB 40 to direct that current Circus World employees could transfer to become state employees, upon the termination of the lease-management agreement with the Foundation, without a competitive hiring process.

## **ALTERNATIVES**

1. Approve the Governor's recommendation (modified to reflect the shift of 0.5 position from SEG to GPR as indicated by DOA).

<b>ALT 1</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	\$0	0.50
SEG	<u>0</u>	<u>- 0.50</u>
Total	\$0	0.00

2. Approve the Governor's recommendation (modified to reflect the shift of 0.5 position from SEG to GPR) with the following modifications: (a) specify that the transfer of operation of the Circus World Museum to the Historical Society would initially apply as of October 1, 2013; and (b) provide that, notwithstanding competitive hiring processes required under Chapter 230, incumbent employees of Circus World Museum Foundation as of October 1, 2013, would be transferred to become state employees of the Historical Society, upon the termination of the lease-management agreement between Historical Society and the Foundation. Hiring for new positions, or positions without incumbents on the date of the transfer, would be conducted under standard procedures.

<b>ALT 2</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	\$0	0.50
SEG	<u>0</u>	<u>- 0.50</u>
Total	\$0	0.00

3. Delete the Governor's recommendation and, instead, provide \$500,000 GPR in 2013-14 and \$700,000 GPR in 2014-15 (the GPR funding already in the bill) as a separate grant to the Circus World Museum Foundation to support its continued operation of the site under the current lease management agreement with the Historical Society.

<b>ALT 3</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	\$0	- 6.00
PR	- 607,200	- 2.00
SEG	<u>- 1,925,000</u>	<u>- 2.00</u>
Total	- \$2,532,200	- 10.00

4. Delete provision.

<b>ALT 4</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	- \$1,200,000	- 6.00
PR	- 607,200	- 2.00
SEG	<u>- 1,925,000</u>	<u>- 2.00</u>
Total	- \$3,732,200	- 10.00

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