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TO: Salvador Salort-Pons, DIA Director, President & CEO  
Detroit Institute of Arts

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: March 28, 2025

RE: 2025-2026 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2025-2026 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Monday, March 31, 2025, at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members, the City Clerk's Office, and the Legislative Policy Division.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

DW:vc:sj

Attachments:  
Issues and Questions  
DIA FY 26 Budget Pages

CC: Councilmembers  
Auditor General's Office  
Jay Rising, Chief Financial Officer  
Tanya Stoudemire, Chief Deputy CFO-Policy & Administration Director/Interim Budget Director  
Donnie Johnson, Deputy Budget Director  
Andre Blair, Agency CFO  
Doug Ortiz, Budget Analyst  
Justin Buss, Budget Analyst  
Malik Washington, City Council Liaison, Mayor's Office

## **Detroit Institute of Arts**

### **FY 2025-2026 Budget Analysis by the Legislative Policy Division**

#### **Mission<sup>1</sup>**

The Detroit Institute of Arts (DIA) is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified as a publicly supported organization under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi)- a public charity which receives substantial support in the form of grants and contributions from governmental units, the general public, and other public charities. The DIA's purpose is to:

- Serve the public through the collection, conservation, exhibition, and interpretation of art from a broad range of cultures and to expand understanding of these diverse visual forms of creative expression for the enjoyment and appreciation of the widest possible array of audiences
- Solicit, receive, and administer funds, works of art, and other property
- Engage in other activities not prohibited by the laws of the State of Michigan in accordance with all powers under the provisions of the Non-profit Corporation Act (Act 162 of the Public Acts of 1982)

#### **DIA History<sup>2</sup>**

The Detroit Museum of Art (DMA) was founded in 1885 as a private, nonprofit organization, after authorizing legislation was passed at the state level establishing the right to create a nonprofit corporation for art. The museum was an outgrowth of a period in which American cities aspired to European models of civic virtue and sophistication. To get the initiative off the ground, 30 individuals contributed \$1,000 each and \$10,000 came from lumber baron Thomas Palmer, who served as the museum's first board chairman. By March 1886, \$100,000 had been raised to acquire land and erect a building. The first DMA, a Richardsonian Romanesque design by Canadian James Balfour, opened at Jefferson Avenue and Hastings Street on Sept. 1, 1888. Important early gifts of art from newspaper magnate James Scripps included key European works such as Peter Paul Rubens' "The Meeting of David and Abigail" and Pieter de Hooch's "Mother Nursing her Child."

The new museum ran into funding problems almost right away, and in 1893 began receiving subsidies from the city. By the second decade of the 20th Century, private donations were not enough to keep the museum afloat or accommodate its burgeoning collection. (The museum's endowment in 1915 was only \$50,000, compared with \$1 million at the Art Institute of Chicago). In July 1919 the Detroit Museum of Art was rechristened the Detroit Institute of Arts and became a city department. It now drew operating funds from the same pool of money that supported parks, police and other services. Ownership of the collection and building were ceded to the city — the DIA's precise structure, ownership and relationship history with the city remain unique among leading American museums.

The new DIA was governed by a mayoral-appointed Arts Commission. Flush with city cash, the DIA embarked on a buying spree between 1922 and 1930 that landed some of its greatest treasures — Van Gogh's "Self-Portrait," Rembrandt's "The Visitation," Bruegel's "The Wedding Dance," Matisse's "The Window," Bellini's "Madonna and Child," Van Eyck's "Saint Jerome in His Study" and others. At the end

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<sup>1</sup> Source: DIA annual financial statements as of June 30, 2024.

<sup>2</sup> Detroit Free Press Article, dated September 8, 2013, "DIA in Peril" The Detroit Institute of Arts has a long and tangled relationship with Detroit politics — and an extensive history of financial issues. An exhaustive look at the museum's past provides insight into its key role in Detroit's bankruptcy. Story By Mark Stryker, Web presentation by Brian Todd.

of 1997, the city reached an agreement with the Founders Society to transfer all museum operations to the society, now simply known as the Detroit Institute of Arts. The 20-year agreement, which took effect in 1998, gave the museum its greatest autonomy since 1919. The city retained ownership of the art, building and contract details appeased workers' concerns.

On Aug. 7, 2012, a majority of voters in Wayne, Oakland and Macomb counties voted to approve an annual property tax millage — \$20 on a home worth \$200,000 — to fund the DIA for the next 10 years. The tax promises to funnel about \$22 million annually to museum operations — roughly 70% of its budget — and represents its first stable source of public funding since the 1991 state cuts. In exchange for passage, the DIA instituted free admission for tri-county residents and expanded its education and outreach programs. Many credit the success of the millage drive to the DIA's strategy of creating a more accessible and relevant institution, dating to its 2007 renovation.

The DIA committed to raising hundreds of millions of dollars in additional endowment funds over the next decade to build its nest egg to \$400 million — enough to finally sustain the museum in perpetuity. A \$400-million endowment would generate about \$20 million in annual income for operations, enough to replace tax dollars when the millage expires. In campaigning for the millage, the DIA had argued that the museum was a prime regional asset and the only way to prevent its closure was to reinstate public funding to provide the breathing room it needed to raise endowment dollars.

The City's bankruptcy in July 2013, put the DIA's art works at risk of being sold to meet creditor demands. The City's bankruptcy attorneys, bankruptcy court, State of Michigan, DIA, and certain charitable foundations collaborated to create the "Grand Bargain." The Bankruptcy Court described the groundbreaking Grand Bargain, in particular, as the "cornerstone" of the Plan [Plan of Adjustment]. The collection of settlements comprising the Grand Bargain provided for the contribution of \$816 million over the next 20 years by the State, certain charitable foundations and the DIA for the benefit of the City's pensioners while simultaneously protecting the City's irreplaceable art collection housed at the DIA.

Judge Rhodes wrote in his confirmation opinion of the City's plan of adjustment,<sup>3</sup> "The evidence unequivocally establishes that the DIA stands at the center of the City as an invaluable beacon of culture, education for both children and adults, personal journey, creative outlet, family experience, worldwide visitor attraction, civic pride and energy, neighborhood and community cohesion, regional cooperation, social service, and economic development. Every great City in the world actively pursues these values. They are the values that Detroit must pursue to uplift, inspire and enrich its residents and its visitors. They are also the values that Detroit must pursue to compete in the national and global economy to attract new residents, visitors and businesses. To sell the DIA art would only deepen Detroit's fiscal, economic and social problems. To sell the DIA art would be to forfeit Detroit's future. The City made the right decision."

On the Effective Date (December 10, 2014), pursuant to the DIA Settlement set forth in the Plan of Adjustment, the City irrevocably transferred all of its right, title and interest in the DIA Assets to a perpetual charitable trust, including: (a) the DIA Collection; and (b) the real property located at 5200 Woodward Avenue, Detroit, Michigan (the site of the DIA); and associated parking lots and garages. Pursuant to the DIA Settlement: (1) certain charitable foundations and funders of the non-profit corporation ("DIA") that operates the Detroit Institute of Arts (collectively with DIA, the "DIA Funding Parties") have committed to assist in the funding of the City's restructured legacy pension obligations; and (2) the City has agreed to enter into certain transactions that will cause the DIA assets to remain in the City in perpetuity, subject to dispositions in accordance with applicable national ethical standards for museums, and to otherwise make the DIA assets available for the benefit of the residents on the City and State of Michigan. The DIA

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<sup>3</sup>Judge's Confirmation ORAL OPINION ON THE RECORD In re City of Detroit Bankruptcy Judge Steven Rhodes November 7, 2014

Settlement will be funded over a 20-year period as follows: (1) an irrevocable commitment of \$366 million by the charitable foundations payable in equal annual installments over the 20-year period; and (2) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA to raise at least \$100 million from its donors, the payment of which \$100 million will be guaranteed by the DIA payable in equal annual installments over the 20-year period, which DIA payments are subject to a present value discount if paid in advance of the 20-year schedule of payments.

Upon the closing of the DIA Settlement transaction on December 10, 2014, the City irrevocably transferred the DIA assets, having a net book value of \$86.6 million, to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within the City limits, for the primary benefit of the residents of the City and citizens of the State.

In accordance with the Plan of Adjustment, on the closing of the DIA Settlement transaction on December 10, 2014, the City, the DIA, and the Foundation for Detroit's Future ("FDF") delivered the following agreements to effectuate the DIA Settlement: (1) the Omnibus Transaction Agreement (Exhibit I.A.127 of the Plan) by and among the City, the DIA and the FDF; (2) the Settlement Conveyance and Charitable Trust Agreement by and between the City and the DIA (the "Conveyance Agreement"); (3) the Quit Claim Deed from the City to the DIA granting the DIA the City's interest in the cultural center garage (the "Garage Deed"); (4) the Quit Claim Deed from the City to the DIA granting the DIA the City's interest in the real property of the Detroit Institute of Arts (the "DIA Deed"); (5) the Bill of Sale by and between the City and the DIA (the "Bill of Sale"); and (6) the Intellectual Property Transfer Agreement by and between the City and the DIA.

On December 10, 2014, the Foundation for Detroit's Future made the first payments totaling \$23.3 million in accordance with the DIA Settlement Agreement to the GRS (\$5.0 million) and PFRS (\$18.3 million). The DIA's board of directors passed a resolution in the year ended June 30, 2016, to extinguish the Grand Bargain obligation by electing to prepay a majority of the balance in lieu of paying over 20 years. As of June 30, 2020, the DIA owed \$5.3 million of the original \$100.0 million obligation to the City. The remaining \$5.3 million, at payments of \$375,000 per year, will be made through the Foundation for Detroit's Future. As of the date of this analysis, the City, DIA and the FDF have met all their obligations in accordance with the Plan of Adjustment.

In March 2020, voters in the Tri-County region approved renewal of the DIA millage for another 10 years. The Plan is to increase the endowment to enable more funding for DIA operations.

## **Museum Collections**

The works of art are held in charitable trust for educational, research, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed annually. Sales of works of art are subject to a policy that requires proceeds from their sales be used to acquire other items for the collection.

## **Relationship with the Tri-Counties**

The counties of Macomb, Oakland, and Wayne, Michigan established Art Institute Authorities (the "Authorities") pursuant to the Public Act 296 of 2010, which allows for the continuing support of art institute services for the students, residents, and visitors of these counties. The Authorities entered into separate service agreements with the DIA, which provides for the continued provision of art institute

services to the residents of the respective counties upon receipt of tax monies levied by the respective Authorities. All agreements are based on providing services over a calendar year.<sup>4</sup>

Under the service agreements, the DIA provides these benefits to county residents:

- Free unlimited general museum admission
- Free school field trips with free bus transportation
- Free group visits for seniors and free bus transportation
- Expanded teacher professional development with school systems
- Expanded community partnerships<sup>5</sup>

Per the Wayne County Service Agreement and Wayne County Service Agreement – First Amendment, the Wayne County Art Institute Authority and DIA agree:

- The DIA will set aside an annual transportation and programming allocation of at least \$250,000 to support the In-Museum Field Trip and In-School K-12 Programs for Wayne County schools, which may be used to fund transportation, materials, staff, mileage, contracts and other program costs, with the goal of serving 26,000 Wayne County students.
- The DIA will set aside a \$100,000 annual allocation to support senior programming for Wayne County residents, which may be used to fund transportation, staff, refreshments, and other program costs for at least 60 visits.
- The DIA will set aside a \$550,000 annual allocation to support community partnership programs for Wayne County residents, which may be used to fund transportation, staff, contracts, Teacher Professional Development, catering, and other program costs.
- The annual allocation will increase 3% annually. Up to 20% of this annual allocation can be used to fund promotion and marketing of millage benefits for Wayne County residents.<sup>6</sup>

In August 2012, the voters of the respective counties approved the levies of the tax on real and personal property for a period of ten years. The millage rate approved was .2 mill (20 cents per \$1,000 of taxable value). In March 2020, the millage was renewed for another 10 years through 2032 at the previously approved rate of 0.2 mills.

All agreements are based on providing services over a calendar year. Proceeds from the millage are forwarded to the DIA, as received by the counties. For the years ended June 30, 2024, and 2023, the DIA has recognized approximately \$35.6 million and \$26.4 million, respectively, in service agreement revenue.<sup>7</sup> The DIA does not show the amounts contributed for each county on its financial statements, but only the combined total.

### **Issues and Questions:**

1. In 2024, more than 500,000 visitors walked through our doors, which included 70,000 K-12 students and members from over 240 senior groups.<sup>8</sup> What initiatives are planned by the DIA to expand the number of memberships, and also the cultural and educational experiences to the region?

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<sup>4</sup> <https://dia.org/about>

<sup>5</sup> <https://dia.org/community/tri-county-benefits>

<sup>6</sup> Ibid

<sup>7</sup> Footnote 11 from DIA's annual financial statements as of June 30, 2024.

<sup>8</sup> <https://dia.org/about/blog/celebrating-unforgettable-2024-dia>

2. Can you quantify the number of annual admissions for Detroit residents in fiscal year 20254 or the calendar year 2024? If so, can you quantify the number of Detroit children and schools served?
3. Does the DIA have partnerships or relationships with Detroit schools for cultural and educational benefits? Does the DIA have a department that specializes in providing educational and cultural opportunities to the residents of the City and State? Please provide details on outreach efforts.
4. What major capital projects does the DIA plan over the next four years? Please provide the benefits that any planned capital projects will bring to the community.
5. Please describe any major exhibits that the DIA will feature in 2024 and 2025. Please provide plans for major exhibits in 2026.
6. Please provide the Museum's FY 2025 budgeted and actual positions. Of the actual positions, how many are full-time employees, part-time employees, and Detroit residents? Please explain the Museum's plans to fill any vacancies. Please provide the Museum's FY 2026 budgeted positions, if available.
7. In 2024, the DIA appears to be in solid financial health: \$137.2 million generated in total revenue in 2024 compared to \$100.5 million in total revenue in 2023; and \$89.7 million in total changes in net assets in 2024 as compared to total changes in net assets in 2023.<sup>9</sup> Of total revenue, please explain why Tricounty support revenue increases from \$26.4 million in 2023 to \$35.6 million in 2024. Of total revenue, please explain why Membership and development revenue increases from \$23.9 million in 2023 to \$37.7 million in 2024.
8. Can you provide the total amount of millage tax revenue contributed solely by Wayne County for FY 2024 and how that compares to the FY 2023 number?
9. How curators that are Detroit residents currently are employed by the DIA? According to <https://www.zippia.com/curator-jobs/demographics/>, in 2021, the racial composition of curators in the U.S. was White 77.0%; Black or African American 5.3%; Asian 5.1%; and Hispanic or Latino 7.3%. Please provide the racial composition of the current level of curators at the DIA. Please explain the difficulty of attracting and retain minority curators.
10. Please provide the Wayne County Art Institute Authority 2024 Year-End Report, if available. If unavailable, please provide the estimated timeframe for when the Report will be released.
11. On 11/13/24, Crain's Detroit Business reported \$433 million was raised in the DIA's permanent, unrestricted operating endowment fund, which surpassed the original \$400 million endowment goal. The Museum is working to raise \$500 million by 2027 and estimates it will need to double its original goal to raise \$800 million by 2032.<sup>10</sup> Can you please provide a status on where the endowment fundraising stands to date? Does the DIA anticipate reaching these goals?
12. On 9/19/2024, Crain's Detroit Business reported the DIA will construct a new underground garage as part of the Detroit Cultural Center project – Phase 1 work aimed at creating a walkable, visually

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<sup>9</sup> DIA's annual financial statements as of June 30, 2024, "Statement of Activities and Changes in Net Assets", page 4.

<sup>10</sup> <https://www.crainsdetroit.com/nonprofits-philanthropy/detroit-institute-arts-passes-400m-endowment-eyes-800m>

cohesive cultural district for the City of Detroit.<sup>11</sup> Construction is set to begin in fall 2025 and will cost \$35 million. Can you provide a project status on the Detroit Cultural Center project – Phase 1 work? Does the DIA anticipate having this new underground garage completed within the estimated timeframe?

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<sup>11</sup> <https://www.crainsdetroit.com/nonprofits-philanthropy/new-dia-parking-garage-will-kick-cultural-center-plan>