

**S50B**  
**Maryland African American Museum Corporation**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 02</b> <b><u>Actual</u></b>	<b>FY 03</b> <b><u>Approp.</u></b>	<b>FY 04</b> <b><u>Allowance</u></b>	<b>FY 03 - 04</b> <b><u>Change</u></b>	<b>FY 03 - 04</b> <b><u>% Change</u></b>
General Funds	\$708	\$742	\$1,162	\$420	56.5%
<b>Adjusted Grand Total</b>	<b>\$708</b>	<b>\$742</b>	<b>\$1,162</b>	<b>\$420</b>	<b>56.5%</b>

- The allowance provides a \$419,594 increase over the fiscal 2003 working appropriation. However, since the fiscal 2003 appropriation was reduced by \$214,481 to reflect the corporation's retention of prior State appropriations, the increase should be viewed as \$205,113.

Note: Numbers may not sum to total due to rounding.

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## *Analysis in Brief*

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### Major Trends

***Corporation Should Prepare a Business Plan:*** As the opening of the African American Museum nears, it is imperative that the corporation has in place a business plan which outlines the specific measures the corporation will undertake to ensure the viability of the museum. **The Department of Legislative Services (DLS) recommends that the Maryland African American Museum Corporation (MAAMC) prepare and submit to the budget committees a business plan that addresses the corporation's financial and programmatic goals and objectives for ensuring financial stability.**

### Issues

***Memorandum of Understanding Concerning State Support Should Be Provided:*** In order to establish the State's financial commitment to the MAAMC and define the parameters under which the State's grant is provided, **DLS recommends committee narrative directing that a Memorandum of Understanding be executed between the MAAMC and the Department of Budget and Management.**

***Legislative Proposal to Increase the Number of Board Members:*** Legislation has been introduced that would increase the MAAMC board from its present 32 members to 37. **DLS recommends that the MAAMC brief the committees regarding the need for such a large board and the implications that such a large board may have on the ability to make decisions and respond to unanticipated events.**

### Recommended Actions

1. Concur with Governor's allowance.
2. Adopt committee narrative requiring a Memorandum of Understanding concerning the State's grant.
3. Adopt committee narrative requiring the development of a business plan.

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# Maryland African American Museum Corporation

## *Operating Budget Analysis*

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### **Program Description**

The Maryland African American Museum Corporation (MAAMC) was created by Chapters 428 and 429, Acts of 1998 to plan, develop, and manage a Maryland Museum of African American History and culture in Baltimore City. The corporation is constituted as a public instrumentality and an independent unit in the executive branch. A 32-member board of directors manages the affairs of the corporation. Legislation has been introduced, in the 2003 session that would increase the number of board members to 37.

The museum's primary mission is to inform and educate the general public about the contributions and experiences of African American Marylanders; to provide research facilities for scholars, students, and others; and to provide public programming, educational opportunities, and community outreach. The new museum facility is scheduled to open in the fall of 2004.

### **Performance Analysis: Managing for Results**

MAAMC is not an executive branch State agency and thus does not participate in the State's Managing for Results program. However, under Article 41 §20-105(b)(1), the corporation is required to prepare an overall strategic plan that establishes both short-term and long-range goals, objectives, and priorities for the museum. Just prior to the 2002 session, the MAAMC submitted a strategic plan as required under statute.

The plan provided an environmental scan of the surrounding area that the corporation views as its market. A number of potential threats to the museum's success were identified in the plan. These included in part (1) the need to recognize and plan for an industry standard second year slip in attendance; (2) a new African American museum in the District of Columbia; (3) transportation issues for students and visitors; (4) long-term parking for school and tour buses; (5) reduction in State funding; (6) poor attendance and economic downturn; (7) lack of a sufficient marketing budget; and (8) while not included in the plan, the ability to obtain corporate and private donations to support the museums operations. The goals, objectives, and strategies laid out in the strategic plan attempt to address these concerns.

- **Market:** The corporation's attendance expectations include approximately 261,000 total visitors during the museums first year of operation, dropping to and stabilizing at approximately 130,000 total visitors by year three. The expected decline in visitors reflects the end of what is commonly referred to as the "honeymoon" period of a major attractions opening. The strategic plan also indicated that the corporation would have marketing and public relations plans completed in early 2002.
- **Education:** The plan identified a goal to implement a teacher training and student curriculum with the Maryland State Department of Education.

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- **Financial:** The corporation's financial goals include the establishment of a \$6.0 million endowment by 2004; annual attendance-based revenues of \$1.2 million, \$900,000, and \$600,000 for years one, two, and three of operation respectively; annual revenues from membership fees, donations, gifts, fundraising sponsorships of approximately \$1.0 million; and the development of a diverse revenue base from food, theatre, festivals, foundation grants, traveling exhibits, tours, and public programs.
- **Exhibits:** The corporation expects to have completed an exhibit master plan by early 2003, have in place a visitor evaluation program by museum opening, and circulate its main exhibits two to three times per-year to keep visitor interest and maintain market share.
- **Programs:** The goal of the corporation is to have in place a broad set of financially successful public programs, a museum store, theatre, café, and rental opportunities.

The strategic plan should be considered a work in progress, and MAAMC is encouraged to continue to refine its goals, objectives and performance measures – specifically, those measures that relate to attendance figures and the corporation's ability to meet the museum's stated objective of financial self-sufficiency. **MAAMC should develop a business plan that outlines the specific measures the corporation will undertake to ensure the viability of the museum.** Such a plan will be used as a barometer to assess the museum's actual performance against specific performance measurement data identified in the plan. In addition, the business plan should address the corporation's expectations for continued State financial support of the museum. Statutory provisions governing the State's operating budget support for the museum under Article 41 §20-108 state that the Governor may include in the annual budget submission a general fund grant to the corporation to help support the museum's operating costs. Although there has been a general understanding that the State grant will support 75% of the corporation's budget through the second full year of the museum's operation and then 50% thereafter, this understanding is not specifically articulated or required under the statutory provisions governing the MAAMC. Given that the museum's annual operating costs are expected to exceed \$3.0 million once the museum is open to the public, it is imperative that the corporation has in place a sound business plan. In addition, the corporation should annually, update performance measures identified in the business plan as relevant to the assessment of the museum's performance of its stated goals and objectives in the statutorily provided annual report to the General Assembly required under Article 41 §20-109.

### **Fiscal 2003 Cost Containment Actions**

State funding to the corporation is provided in the form of a lump sum grant. The Department of Budget and Management (DBM) treats the corporation as a grant recipient and not an executive branch agency. Accordingly, MAAMC is exempted from the hiring freeze and other cost containment measures for fiscal 2003 and 2004.

## **Governor's Proposed Budget**

The fiscal 2004 allowance for the MAAMC is budgeted as a State grant in the amount of \$1,161,685 which represents a \$419,594, or 56.5% increase over the fiscal 2003 working appropriation. While the increase appears substantial, the fiscal 2003 appropriation was reduced by \$214,481 to reflect the corporation's retention of prior year State appropriations that were not reverted to the State general fund and thus available for use during fiscal 2003 to support the corporation's operations. Adjusting for the corporation's use of these funds to support fiscal 2003 expenses, the State grant increases by \$205,113 in the Governor's allowance. State funds are provided to assist the corporation with its annual operating expenses and have in the past generally equated to 75% of the corporation's total proposed operating budget. Fundraising efforts by the corporation have covered the remaining 25% of operating costs and are not reflected in the State budget.

In general, the State grant will level fund many of the corporation's administrative related expenses. The most significant increases in expenditures are related to exhibit production, marketing and promotional expenses, and increased utility costs to reflect the museum's planned completion in the spring of 2004. All of these expenses directly relate to the ramp-up of activity expected as the museum nears completion and opening to the public. The State grant does not support the salary for new corporation employees. This runs counter-intuitive to what would be expected as the museum nears completion and is inconsistent with the corporation's planned personnel complement for fiscal 2004. **The Department of Legislative Services (DLS) recommends that the corporation discuss how it intends to support its personnel related needs and expenses during fiscal 2004 without the assistance of the State and what impact this might have on the corporation's ability to effectively prepare for the museum's eventual opening in the fall of 2004.**

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**Exhibit 1**

**Governor's Proposed Budget  
Maryland African American Museum Corporation  
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
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**Where It Goes:**

**Personnel Expenses**

Increased turnover ..... -\$31

**Operations, Equipment, and Contractual Services**

Fiscal 2003 allowance does not reflect the corporation's use of \$214,481 of retained fiscal 2001 appropriations to support fiscal 2003 expenditures ..... 214

Additional fuel and utility costs to reflect the completion of the museum construction in late fiscal 2004 ..... 50

Increased printing and reproduction costs associated with marketing activities ..... 10

Exhibits ..... 115

Promotional expenses – museum opening ..... 80

Elimination of one-time computer purchases ..... -7

Elimination of one-time office equipment purchases ..... -11

Supplies ..... 23

Contractual part-time office assistance and grant writer ..... -21

Other ..... -2

**Total** ..... **\$420**

Note: Numbers may not sum to total due to rounding.

## *Issues*

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### **1. Memorandum of Understanding Concerning State Support Should Be Provided**

State funding assistance to MAAMC is governed by Article 41 §20-108(b) of the Annotated Code of Maryland which stipulated that the Governor may provide in the annual budget submission a general fund grant to MAAMC to assist the corporation with its annual operating expenses. Although the statute does not address the level of funding, the previous administration made a general commitment to MAAMC to provide 75% of the corporation's operating budget through the first two years of operation and 50% per year thereafter. In order to clarify the State's budgetary commitment to MAAMC and define the parameters under which State grant funds are provided to MAAMC, the budget committees have adopted what can be considered annual committee narrative in the last three *Joint Chairmen's Reports* requiring DBM and MAAMC to submit a Memorandum of Understanding (MOU) detailing the specific conditions of the State's grant to the corporation. **In light of the change in administration and a possible change in policy concerning the State's funding commitment to the MAAMC, DLS recommends that an MOU between DBM and MAAMC concerning State funding for fiscal 2004 be submitted to the budget committees.**

### **2. Legislative Proposal to Increase the Number of Board Members**

HB 106 and SB 130 have been introduced in the 2003 session to increase from 32 to 37 the membership of the corporation's board of directors. The membership requirements and corporate powers of the board of directors are provided for under Article 41, Section 20-102. Essentially, the board is directed to manage the affairs of the corporation and exercise all of its corporate powers. An important component for the museum's success is an efficient decision-making process. The size of the board is a factor in its ability to effectively and efficiently make decisions affecting the museums operations. **DLS recommends that the MAAMC discuss the need to increase its board membership from its current complement of 32 members and advise the committee as to how an increase will improve the board's decision-making process.**

The corporations board of directors is also required under Article 41, Section 20-102 to appoint an executive committee and any other such committee as the board deems necessary and advisable. The strategic plan presented by the MAAMC prior to last session indicated that the board was intending to but had not yet established an experienced advisory committee consisting of nonboard members. **The corporation should brief the committees concerning how the board is structured to address the needs and direction that the corporation's diverse programs will require and what if any advisory committees have been established.**

## ***Recommended Actions***

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1. Concur with Governor's allowance.
2. Adopt the following narrative:

**Memorandum of Understanding:** The fiscal 2004 budget includes a grant to the Maryland African American Museum Corporation (MAAMC) to fund its operations. Until the terms and conditions for future State grant funds are included in the statutory provisions governing the activities of MAAMC, the Department of Budget and Management (DBM) and MAAMC should annually execute a Memorandum of Understanding (MOU) which sets forth the terms and conditions of the State grant. The budget committees request that the MOU governing the fiscal 2004 general fund appropriation to MAAMC be drafted in such a way as to require the reversion at the conclusion of fiscal 2004 of any unexpended or unencumbered fiscal 2003 general fund appropriations. A copy of the MOU addressing the terms and conditions for the fiscal 2004 State grant funds should be submitted to the budget committees by July 1, 2003.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Memorandum of Understanding setting forth the terms and conditions of the fiscal 2004 grant funds	MAAMC DBM	July 1, 2003

3. Adopt the following narrative:

**Museum Operations Business Plan:** The committees direct the Maryland African American Museum Corporation (MAAMC) to prepare and submit to the committees a business plan that identifies the measures that the corporation intends to undertake to ensure the financial stability of the African American Museum. The business plan should clearly identify goals, objectives, strategies, and performance measures that can be used to routinely assess the museum's performance of stated objectives. The MAAMC should submit their business plan to the committees by November 1, 2003.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Museum Operations Business Plan	MAAMC	November, 1, 2003

## *Current and Prior Year Budgets*

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**Current and Prior Year Budgets**  
**Maryland African American Museum Corporation**  
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$740	\$0	\$0	\$0	\$740
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-32	0	0	0	-32
<b>Actual Expenditures</b>	<b>\$708</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$708</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$742	\$0	\$0	\$0	\$ 742
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$742</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$742</b>

Note: Numbers may not sum to total due to rounding.

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### **Fiscal 2002**

Restrictive budget language placed on MAAMC's fiscal 2002 general fund appropriation withheld \$56,250 until such time that the corporation officially entered into a lease for office space. The corporation entered into a lease that only required \$24,413 of the restricted appropriation and remaining \$31,837 was reverted.

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Appendix 2

**Object/Fund Difference Report  
Maryland African American Museum Corporation**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, Contr	\$ 707,601	\$ 742,091	\$ 1,161,685	\$ 419,594	56.5%
<b>Total Objects</b>	<b>\$ 707,601</b>	<b>\$ 742,091</b>	<b>\$ 1,161,685</b>	<b>\$ 419,594</b>	<b>56.5%</b>
<b>Funds</b>					
01 General Fund	\$ 707,601	\$ 742,091	\$ 1,161,685	\$ 419,594	56.5%
<b>Total Funds</b>	<b>\$ 707,601</b>	<b>\$ 742,091</b>	<b>\$ 1,161,685</b>	<b>\$ 419,594</b>	<b>56.5%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.