

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

***Operating Budget Data***

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(\$ in Thousands)

	<u><b>FY 02</b></u>	<u><b>FY 03</b></u>	<u><b>FY 04</b></u>	<u><b>FY 02-04</b></u> <u><b>Change</b></u>	<u><b>FY 05</b></u>	<u><b>FY 04-05</b></u> <u><b>Change</b></u>
General Funds	708	742	1,075	367	2,165	1,090
<b>Adjusted Grand Total</b>	<b>\$708</b>	<b>\$742</b>	<b>\$1,075</b>	<b>\$367</b>	<b>\$2,165</b>	<b>\$1,090</b>
<b>Annual % Change</b>		<b>4.8%</b>	<b>44.9%</b>		<b>101.4%</b>	

- The allowance provides a \$1.1 million increase over the fiscal 2004 working appropriation. The increase is primarily related to the scheduled opening of the museum in late December 2004.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Maryland African American Museum Scheduled to Open Late Calendar 2004:*** Since 1998, the State has provided \$30.0 million toward the construction of the museum and has supported 75% of the operating budget. As a result of this support and private fundraising efforts the museum is schedule to open December 2004.

### **Issues**

***State Support of the Maryland African American Museum Corporation Should Be Codified:*** In order to establish the State’s financial commitment to the Maryland African American Museum Corporation and define the parameters under which the State’s grant is provided, **the Department of Legislative Services recommends that the legislature consider codifying the level of operating support the State is willing to provide as opposed to executing a memorandum of understanding on an annual basis.**

### **Recommended Actions**

1. Concur with Governor’s allowance.

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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 37-member board of directors manages the affairs of the corporation.

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 December 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- and long-term goals, objectives, and priorities for the museum. Just prior to the 2002 session, MAAMC submitted a strategic plan as required under statute. According to MAAMC, the strategic plan has not changed significantly since submission of the plan in fiscal 2003.

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 museum's 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. In accordance with the strategic plan, MAAMC developed a marketing and public relations plan which was completed September 1, 2003.

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- **Educational:** The plan identified a goal to implement teacher training and student curriculum with the Maryland State Department of Education.
- **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 years 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 has completed its master exhibit plan and expects to have in place a visitor evaluation program by museum opening. The museum expects to 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.

### **Fiscal 2004 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. Fiscal 2004 cost containment actions reduced the grant by \$87,126 and instructed MAAMC to raise private funds to offset the general fund reduction.

### **Governor's Proposed Budget**

The fiscal 2005 allowance for MAAMC is budgeted as a State grant in the amount of \$2,165,366 which represents a \$1,090,807 or 101.5% increase over the fiscal 2004 working appropriation. The \$2.2 million represents the States 75% contribution to the operating budget. Although \$1.1 million seems like a significant jump, the museum is schedule to open in fiscal 2005, and the majority of the increase is due to additional funding necessary to operate the museum. The most significant change includes an increase in personnel. The number of regular positions increases by 21, from 12 in fiscal 2004 to 33 in fiscal 2005 plus 6 new contractual full-time equivalents. The new positions are required to staff the museum, and the associated personnel costs added \$592,168 to the budget. Other significant changes include a \$260,000 increase for fuel and utilities to operate the new building and

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\$63,750 for fees and management of the exhibits. All of these expenses directly relate to the ramp-up of activity expected as the museum nears completion and opens to the public in fiscal 2005. **The Department of Legislative Services (DLS) recommends that MAAMC brief the committees on its ability to support its own operating budget once the museum opens in fiscal 2005.**

## *Issues*

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### **1. State Support of the Maryland African American Museum Should Be Codified**

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 corporations budget through the second full year of the museums operation and then 50% thereafter, this understanding is not specifically articulated or required under the statutory provisions governing MAAMC. Given that the museum's annual operating costs are expected to exceed \$3.0 million once the museum is open to the public and that the State has provided approximately \$30.0 million since 1998 to fund the construction of the museum, it is imperative that the corporation has in place a formal understanding of the State's commitment to provide support for the corporation's operating budget. In the past, the Administration has provided a discretionary grant equal to 75% of the operating budget. For only fiscal 2004, a memorandum of understanding (MOU) was executed between MAAMC and DBM to set out purposes, terms and conditions of the grant; however, **DLS recommends that the legislature consider codifying the level of operating support the State is willing to provide as opposed to executing an MOU on an annual basis. If the terms of ongoing State funding are not codified, an annual MOU will continue to be required to establish the terms and conditions of State funding.**

***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$742	\$0	\$0	\$0	\$742
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
<b>Actual Expenditures</b>	<b>\$742</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$742</b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$1,162	\$0	\$0	\$0	\$1,162
Cost Containment	-87	0	0	0	-87
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$1,075</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,075</b>

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

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, Contr	\$ 742,091	\$ 1,074,559	\$ 2,165,366	\$ 1,090,807	101.5%
<b>Total Objects</b>	<b>\$ 742,091</b>	<b>\$ 1,074,559</b>	<b>\$ 2,165,366</b>	<b>\$ 1,090,807</b>	<b>101.5%</b>
<b>Funds</b>					
01 General Fund	\$ 742,091	\$ 1,074,559	\$ 2,165,366	\$ 1,090,807	101.5%
<b>Total Funds</b>	<b>\$ 742,091</b>	<b>\$ 1,074,559</b>	<b>\$ 2,165,366</b>	<b>\$ 1,090,807</b>	<b>101.5%</b>

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.