

S50B
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,075	\$2,165	\$2,375	\$210	9.7%
Total Funds	\$1,075	\$2,165	\$2,375	\$210	9.7%
Contingent & Back of Bill Reductions					
Adjusted Total	\$1,075	\$2,165	\$2,375	\$210	9.7%

- The fiscal 2006 allowance provides a \$209,614, or 9.7% increase over the fiscal 2005 working appropriation. The museum is scheduled to open in June 2005, and the fiscal 2006 allowance includes a full year of funding for 32 positions.

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

For further information contact: Stacy A. Porter

Phone: (410) 946-5530

Analysis in Brief

Recommended Actions

1. Adopt committee narrative to require a Memorandum of Understanding setting forth the terms and conditions of the fiscal 2006 grant funds.

Updates

Maryland African American Museum Opening Delayed Until June 2005: The Maryland African American Museum Corporation (MAAMC) was scheduled to open in December 2004, but the opening was delayed because the exhibits were not finished. Additionally, the fiscal 2005 appropriation included funds for 21 new positions. Although the museum did not hire all 21 positions, the funds were utilized for contractual services and expenses beyond what was planned in the 2005 appropriation.

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Maryland African American Museum Corporation

Operating Budget Analysis

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 June 2005.

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 attraction's opening. In accordance with the strategic plan, MAAMC developed a marketing and public relations plan which was completed September 1, 2003.
- **Educational:** The plan identified a goal to implement teacher training and student curriculum with the Maryland State Department of Education (MSDE).

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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 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. As of January 2005, the museum has received a \$3.0 million endowment grant from the Reginald F. Lewis Museum (RFLM). The RFLM has also pledged a \$2.0 million grant in 2006. In addition, the museum has received a \$1.0 million grant from the National Endowment for the Humanities.
- **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.

Governor's Proposed Budget

The fiscal 2006 allowance for MAAMC is budgeted as a State grant in the amount of \$2.4 million. The fiscal 2006 allowance represents the State's 75% contribution to the operating budget. Fundraising efforts by the corporation represent the remaining 25% of operating costs and are not reflected in the State budget. There is 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. MAAMC was scheduled to open in December 2004; however, the opening was delayed. **DLS recommends that MAAMC brief the committee on the factors contributing to the delay and on the likelihood of the museum opening in June 2005.**

As shown in **Exhibit 1**, the fiscal 2006 general fund allowance increases \$209,641, or 9.7% over the fiscal 2005 appropriation. The increase is entirely borne in personnel expense. In fiscal 2005, MAAMC added 21 full-time equivalent positions and 6 contractual full-time equivalents, which were budgeted at approximately a 25% turnover rate. In fiscal 2006, the same positions are budgeted at a 4% turnover rate assuming a full year of service. The decrease in the turnover rate increased personnel expense by \$286,583.

Exhibit 1
Maryland African American Museum Corporation
Grant Allocation
Fiscal 2004 through 2006

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Approp.</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05 – 06</u> <u>Change</u>	<u>%</u> <u>Change</u>
Salaries & Wages	\$621,318	\$1,529,055	\$1,680,471	\$151,416	9.9%
Contractual Support	44,585	111,065	246,232	135,167	121.7%
Fuel and Utilities	38,706	400,000	400,000	0	0%
Contractual Services	967,474	562,500	558,500	-4,000	-0.7%
Other Operating Costs	158,979	284,535	281,473	-3,062	-1.1%
Total Budget	\$1,831,062	\$2,887,155	\$3,166,677	\$279,521	
General Funds	\$1,074,559	\$2,165,366	\$2,375,077	\$209,641	9.7%
States 75% Share					
Privately Raised Revenue	\$756,503	\$721,789	\$791,669	\$69,880	9.7%
25% MAAMC Match					

Notes: Numbers may not sum due to rounding

The fiscal 2004 legislative appropriation was \$1,548,913 and the State's 75% match was \$1,074,559 after the reduction of \$87,126 for cost containment. The increase in the fiscal 2004 budget from \$1,548,913 to \$1,831,062 and the \$87,126 in cost containment were funded with private revenue.

Source: Department of Legislative Services

Recommended Actions

1. Adopt the following narrative:

Memorandum of Understanding: The fiscal 2006 budget includes a grant to the Maryland African American Museum Corporation (MAAMC) to fund 75% of its operating expenditures. Since the terms and conditions for future State grant funds are not 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. It is the intent of the budget committees that the fiscal 2007 and 2008 grants provide 75% and 50%, respectively, of MAAMC's operating expenditures. The budget committees request that the MOU governing the general fund appropriation to MAAMC be drafted in such a way as to require the reversion of any unexpended or unencumbered general fund appropriation at the close of the fiscal year following the year in which the MAAMC received the grant. A copy of the MOU addressing the terms and conditions for the fiscal 2006 State grant funds should be submitted to the budget committees by July 1, 2005.

Information Request	Authors	Due Date
Memorandum of Understanding setting forth the terms and conditions of the fiscal 2006 grant funds.	MAAMC DBM	July 1, 2005

Updates

1. Maryland African American Museum Opening Delayed Until June 2005

The MAAMC was scheduled to open in December 2004, but the opening was delayed because the exhibits were not finished. Work on the exhibits began in September 2004, and it was estimated at that time that they would take approximately eight months to complete. Once the exhibits are completed in May 2005, the museum will schedule limited openings to test operations. The grand opening is scheduled for June 2005.

The fiscal 2005 appropriation included \$620,320 to fund 21 new positions in preparation for the opening in December 2004. According to the fiscal 2005 MOU between the MAAMC and DBM, if MAAMC does not expend or encumber the entire amount of the fiscal 2005 State grant for the costs of operations, those funds must be reverted to the general fund. MAAMC is estimating that the full 2005 appropriation will be expended by year end, despite not hiring some of the new positions identified in the fiscal 2005 allowance. According to MAAMC, although the museum did not open to the public, the corporation expended funds for the following contractual services: security, housekeeping, marketing, conservator, systems manager, and administrative assistant. The remaining funds totaling approximately \$275,000 are being utilized to fund some expenses beyond what was planned for in the 2005 budget. Those expenses include a teacher training program; reimbursement expense for a curriculum liaison working between MAAMC and MSDE; and higher than anticipated image and usage right fees.

MAAMC is working with MSDE to train teachers about the lives and accomplishments of famous African American Marylanders. This program is part of the museum's overall strategic plan. The expenses associated with this training program have surpassed the fiscal 2005 appropriation by approximately \$150,000. Additionally, MAAMC is reimbursing MSDE for the cost of a curriculum liaison who is coordinating the activities between MAAMC, MSDE, and the Education Task Force. The reimbursement is approximately \$72,500. Finally, the museum's inventory of images and artifacts has grown from what was originally planned and the expense to obtain the right to display these images and artifacts has increased by approximately \$70,000 more than anticipated.

Current and Prior Year Budgets

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$1,162	\$0	\$0	\$0	\$1,162
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	-87	0	0	0	-87
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$1,075	\$0	\$0	\$0	\$1,075
Fiscal 2005					
Legislative Appropriation	\$2,165	\$0	\$0	\$0	\$2,165
Budget Amendments	0	0	0	0	0
Working Appropriation	\$2,165	\$0	\$0	\$0	\$2,165

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

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Fiscal 2004

The MAAMC finished fiscal 2004 approximately \$87,126 below its legislative appropriation. The reduction was entirely due to cost containment. MAAMC was directed to raise private money to offset the general fund reduction.

Audit Findings

Audit Period for Last Audit:	May 15, 2001 – May 31, 2004
Issue Date:	August 2004
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

Finding 1: MAAMC had not submitted its annual reports of operations and activities within the required timeframe.

Finding 2: Independent verification was not always performed to ensure that recorded collections were deposited.

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 1,074,559	\$ 2,165,366	\$ 2,375,007	\$ 209,641	9.7%
Total Objects	\$ 1,074,559	\$ 2,165,366	\$ 2,375,007	\$ 209,641	9.7%
Funds					
01 General Fund	\$ 1,074,559	\$ 2,165,366	\$ 2,375,007	\$ 209,641	9.7%
Total Funds	\$ 1,074,559	\$ 2,165,366	\$ 2,375,007	\$ 209,641	9.7%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

