

S50B
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

	FY 08	FY 09	FY 10	FY 09-10	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$2,136	\$2,100	\$2,100	\$0	
Adjusted General Fund	\$2,136	\$2,100	\$2,100	\$0	0.0%
Adjusted Grand Total	\$2,136	\$2,100	\$2,100	\$0	0.0%

- The fiscal 2010 allowance is \$2.1 million, matching the working appropriation from the previous fiscal year.

Analysis in Brief

Major Trends

Strategic Plan Continues to Guide Museum Performance: The Maryland African American Museum Corporation (MAAMC) strategic plan from fiscal 2007 continues to serve as the five-year plan that identifies goals and objectives for the organization.

Issues

Visitor Attendance, Revenues, and Outlook for Private Funding: Lower than expected visitor attendance has been a concern for the museum since in opened in June 2005. Given cost containment actions and the reduction of the State grant from 75 to 50% of the budget, self-generating revenue needs are increasing. **The Department of Legislative Services (DLS) recommends that the corporation comment on how it will improve visitor attendance and museum membership in fiscal 2010. Further, the corporation should comment on prospects for meeting fundraising goals in light of the current economic climate.**

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

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General Fund Grant Memorandum of Understanding: The 2008 *Joint Chairmen’s Report* requested that the corporation and the Department of Budget and Management (DBM) execute a memorandum of understanding governing the use of the fiscal 2009 general fund grant. **DLS recommends that committee narrative be adopted that requests the continuation of the memorandum of understanding between MAAMC and DBM.**

Recommended Actions

1. Adopt committee narrative that requests a memorandum of understanding on the use of the fiscal 2010 general fund grant.

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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 of 1998 to plan, develop, and manage a Maryland Museum of African American History and Culture in Baltimore City. The museum opened in June 2005.

The museum's mission is to educate the 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 corporation is a public instrumentality and an independent unit in the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Performance Analysis: Managing for Results

MAAMC is not a 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 and objectives for the museum. MAAMC submitted a strategic plan prior to the 2002 legislative session to guide its activities for five years. The corporation's subsequent five-year plan was completed in 2007. The goals, objectives, and strategies laid out in the plan address operations, effective marketing, and financial management. Aspects include:

- **Integrity:** The museum is dedicated to operating with integrity in all aspects of service to customers and stakeholders. In support of this goal, the museum will strengthen its role as an educational destination, engage the community through active partnerships, improve the visitor experience through innovative exhibits, and provide career resources to the museum staff.
- **Marketing:** MAAMC intends to increase visibility both in Baltimore and throughout the State by better understanding its customers and their expectations. New efforts to employ surveys and focus groups are intended to maximize the museum's brand recognition throughout the communities it serves and introduce new audiences to the museum.
- **Finances:** The plan includes objectives to increase museum revenues, including attendance-based revenues, and other forms of contributions to ensure the museum's future viability. MAAMC will also assist board members in effectively transitioning from a founding to an operating board.

Fiscal 2009 Actions

Impact of Cost Containment

MAAMC relinquished \$87,000 in general funds in the cost containment effort. The museum reduced contractual services as a result of the loss of funds.

Proposed Budget

State support for MAAMC is budgeted as a general fund grant. As shown in **Exhibit 1**, the Governor’s fiscal 2010 allowance for the corporation is \$2.1 million. This matches the amount in the fiscal 2009 working appropriation after cost containment. The allowance covers State support for 50% of MAAMC’s operating budget.

Exhibit 1
MAAMC Expenditures and Revenues
Fiscal 2007-2010
(\$ in Thousands)

	<u>2007</u>	<u>2008</u>	<u>Working Appropriation 2009</u>	<u>Allowance 2010</u>	<u>\$ Change 2009-10</u>	<u>% Change 2009-10</u>
Regular Salaries and Wages	\$1,640	\$1,698	\$2,026	\$2,064	\$37	1.8%
Contractual Employees	244	170	166	172	6	3.9%
Fuel and Utilities	467	418	512	463	-49	-9.6%
Contractual Services	1,608	1,790	1,187	1,266	79	6.7%
Other Operating Costs	319	233	309	235	-74	-23.9%
Total	\$4,278	\$4,310	\$4,200	\$4,200	\$0	0.0%
General Funds	\$2,714	\$2,136	\$2,100	\$2,100	\$0	0.0%
Privately Raised Revenue	\$1,564	\$2,174	\$2,100	\$2,100	\$0	0.0%

MAAMC: Maryland African American Museum Corporation

Note: The General Assembly reduced funding of the museum's operating costs from 75 to 50% in fiscal 2008.

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MAAMC is required to provide matching funds from private sources to support operating costs. Total funds are not expected to change in fiscal 2010. However, the corporation plans to increase funds for salaries and for contractual services. MAAMC reports that security services and exhibition preparation are the main components of contractual services. However, costs for fuel, utilities, and other operating needs are expected to fall.

Issues

1. Visitor Attendance, Revenues, and Outlook for Private Funding

Lower than expected visitor attendance has been a concern for the museum since it opened in June 2005. However, given cost containment actions and the reduction of the State grant from 75 to 50% of the budget, the need to increase paying visitors is increasingly important.

Attendance figures include paying individuals, members, children under six, meeting space rental, and scheduled school group tours. Except for Title I schools, which have predominately low-income students, students pay a museum admissions fee of \$3 to \$5. Admission fees for Title I schools and other community groups are covered by a multi-year grant from the Weinberg Foundation. The regular adult admission fee is set at \$8. As shown in **Exhibit 2**, the museum met only 68% of its attendance goal in fiscal 2008, attracting 51,368 visitors. This represents a 22.5% decline from fiscal 2007. This can be partially explained by the traditional drop-off in attendance in the years following a grand opening. The current economic climate is also a likely contributing factor.

Exhibit 2
Visitor Attendance and Revenues
Fiscal 2006-2009

	<u>Year One</u> <u>Actual 2006</u>	<u>Year Two</u> <u>Actual 2007</u>	<u>Year Three</u> <u>Actual 2008</u>	<u>Year Four</u> <u>Est. 2009</u>
Goal	130,000	75,159	75,000	65,000
Attendance	104,532	66,249	51,368	
% of Goal Attained	80%	88%	68%	
Goal	\$600,000	\$478,000	\$620,000	\$517,000
Attendance-based Revenues	\$701,645	\$451,101	\$334,720	
% of Goal Attained	117%	94%	54%	

Notes: Attendance includes those who pay membership dues and have free entrance to the museum; revenues from membership dues are accounted for separately and are not included in the attendance-based revenue figures. Fiscal 2006 data include June 25 (grand opening day) to June 30, 2005.

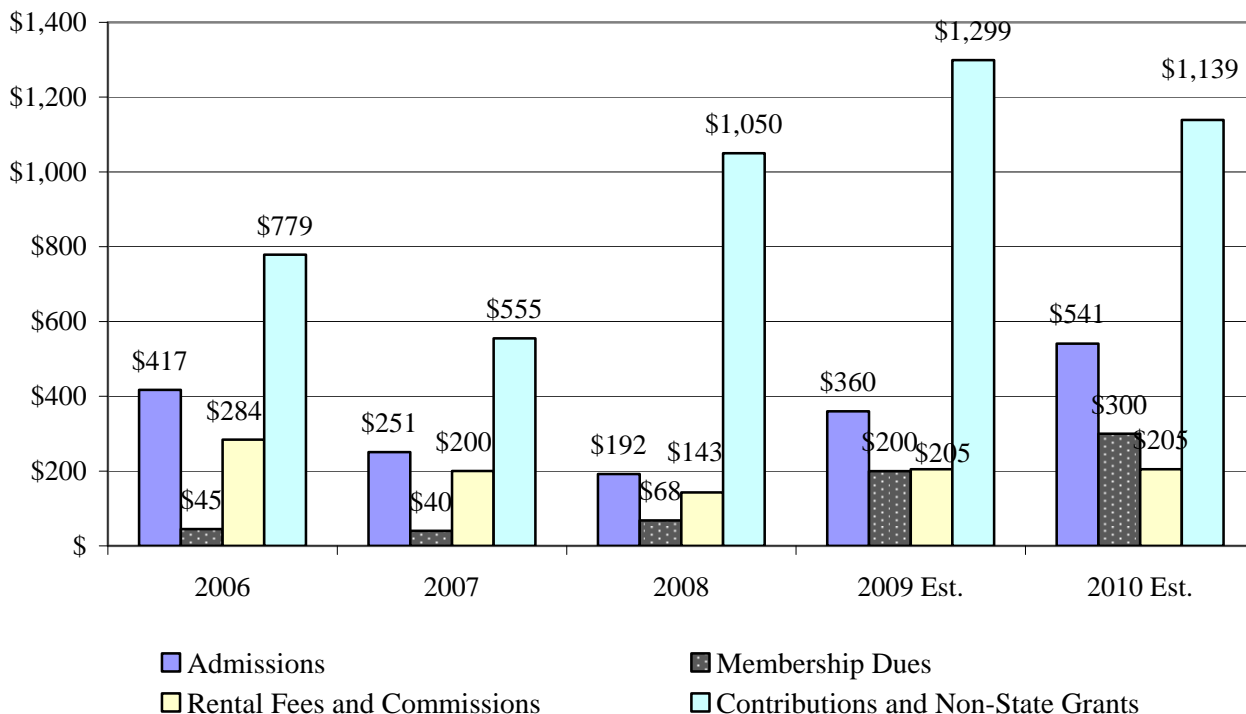
Source: Maryland African American Museum Corporation

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Attendance based revenues for fiscal 2008 also fell short of the goal. The corporation had expected to earn \$620,000 but instead took in about 54% of that goal. Attendance based revenues include admissions, rental fees, and commissions. Although membership dues are related, because members have free entrance, they are accounted for separately.

As shown in **Exhibit 3**, the corporation relies most heavily on private contributions and non-State grants. These contributions take many forms, most notably corporate or nonprofit sponsorships of exhibits. As such, this revenue source is highly variable. The exhibit shows that the corporation has optimistic expectations for revenues in fiscal 2009 and 2010. For example, it expects membership dues to more than quadruple between fiscal 2008 and 2010.

Exhibit 3
Major Sources of Private Funds
Fiscal 2006-2010
(\$ in Thousands)



Source: Maryland African American Museum Corporation

The Department of Legislative Services (DLS) recommends that MAAMC comment on how it will improve visitor attendance and museum membership in fiscal 2010. Further, MAAMC should comment on the prospects for meeting fundraising goals in light of the current economic climate.

2. General Fund Grant Memorandum of Understanding

The 2008 *Joint Chairmen's Report* requested that the corporation and the Department of Budget and Management (DBM) execute a memorandum of understanding (MOU) governing the use of the fiscal 2009 general fund grant. On July 1, 2008, DBM submitted the MOU to the budget committees.

The MOU confirms that the corporation submitted to DBM a spending plan for fiscal 2009 and that DBM reviewed the plan for reasonableness and subsequently approved the plan. Consistent with the previously expressed intent of the General Assembly, the MOU reiterates that State appropriations will support no more than 50% of the corporation's operating costs for fiscal 2009. The corporation must be able to show that it has funds available to match the State contribution.

To the extent that the corporation does not expend or encumber the entire amount of the fiscal 2009 grant, the corporation will revert the remaining funds to the general fund. The MOU further states that the corporation must submit quarterly reports on the museum's attendance, including paid and free admissions.

Finally, the MOU states the intent to continue the grant at the 50% level in the fiscal 2010 allowance.

DLS recommends that committee narrative be adopted that requests the continuation of the MOU between MAAMC and DBM.

Recommended Actions

1. Adopt the following narrative:

Memorandum of Understanding on Use of the General Fund Grant: The Maryland African American Museum Corporation (MAAMC) and the Department of Budget and Management (DBM) executed memorandums of understanding (MOU) governing the use of MAAMC’s general fund grant for fiscal 2007 to 2009. The committees request that a similar MOU be executed for fiscal 2010. The MOU should specify that the State intends to support no more than 50% of MAAMC’s operating costs in fiscal 2010, which is consistent with the previously expressed intent of the General Assembly.

Information Request	Authors	Due Date
MOU specifying use of the fiscal 2010 general fund grant	MAAMC DBM	July 1, 2010

Current and Prior Year Budgets

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>
Fiscal 2008					
Legislative Appropriation	\$2,149	\$0	\$0	\$0	\$2,149
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	0	0	0	0
Reversions and Cancellations	-13	0	0	0	-13
Actual Expenditures	\$2,136	\$0	\$0	\$0	\$2,136
Fiscal 2009					
Legislative Appropriation	\$2,187	\$0	\$0	\$0	\$2,187
Cost Containment	-87	0	0	0	-87
Budget Amendments	0	0	0	0	0
Working Appropriation	\$2,100	\$0	\$0	\$0	\$2,100

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

Fiscal 2008

MAAMC reverted approximately \$13,000 in general funds at the end of fiscal 2008 due to a technical correction.

Fiscal 2009

MAAMC relinquished \$87,000 in general funds in the cost containment effort. The museum reduced contractual services as a result of the loss of funds.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 2,135,719	\$ 2,100,000	\$ 2,100,000	\$ 0	0%
Total Objects	\$ 2,135,719	\$ 2,100,000	\$ 2,100,000	\$ 0	0%
Funds					
01 General Fund	\$ 2,135,719	\$ 2,100,000	\$ 2,100,000	\$ 0	0%
Total Funds	\$ 2,135,719	\$ 2,100,000	\$ 2,100,000	\$ 0	0%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.