

S50B01
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,000	\$2,000	\$2,000	\$0	
Deficiencies and Reductions	0	-40	-41	-1	
Adjusted General Fund	\$2,000	\$1,960	\$1,959	-\$1	-0.1%
Adjusted Grand Total	\$2,000	\$1,960	\$1,959	-\$1	-0.1%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program

- The adjusted fiscal 2016 allowance is \$1,000 less than the current working appropriation. The fiscal 2015 working appropriation includes a 2% across-the-board reduction, decreasing general funds by \$40,000. Another 2% across-the-board reduction in fiscal 2016 reduces general funds by \$41,000.

Analysis in Brief

Major Trends

New Strategic Plan Will Guide Museum's Performance: The Maryland African American Museum Corporation (MAAMC) has undergone a comprehensive review to enact a new strategic plan. The strategic plan will set MAAMC's goals and processes through fiscal 2019. **The Department of Legislative Services (DLS) recommends that the agency brief the committees on the status of the strategic plan.**

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

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Issues

Museum Closer to Meeting Match Requirement: Though statute requires MAAMC to match its annual State grant with its own earnings, for the last several years the museum has been unable to meet the requirement primarily due to lower than expected attendance and fundraising. The Department of Budget and Management has waived the matching requirement since fiscal 2010, and the museum's private revenues have been slowly dropping since, reaching a low of \$257,000 in fiscal 2013. In fiscal 2014, the museum finally experienced an increase in revenues reaching \$1.9 million, falling just short of the \$2.0 million requirement. **DLS recommends that MAAMC comment on the trends in attendance and fundraising and how the museum's new strategic plan coupled with the 2% State grant reduction will affect these trends.**

Recommended Actions

1. Concur with Governor's allowance.

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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 African American Marylanders' contributions and experiences; 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 of the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Performance Analysis: Managing for Results

1. New Strategic Plan Will Guide Museum's Performance

MAAMC is not a State agency and thus does not participate in the State's Managing for Results program. However, Article 41 § 9-2606 requires the corporation to prepare an overall strategic plan at least once every five years that establishes the museum's short- and long-term goals and objectives. MAAMC submitted a strategic plan prior to the 2002 legislative session to guide its activities for five years. The corporation prepared a subsequent five-year plan that laid out plans to address operations, effective marketing, and financial management. That plan expired in 2012.

In calendar 2012, at the direction of the executive committee of the museum's Board of Directors, the museum collaborated with the DeVos Institute of Art Management to conduct a complete organizational audit of the museum's performance in all major areas: administrative, development and marketing, programming, events, and finances. In June 2012, the museum submitted a turnaround plan that targeted four areas of activity to address:

- high quality and integrated artistic planning of programs and events;
- a thorough overhaul of the museum's institutional marketing/visibility initiatives;
- improved financial planning practices; and
- a fully engaged board of directors capable of assisting the museum's fundraising efforts.

The museum also set a variety of goals for fiscal 2014 to measure the turnaround plan's immediate success.

In April 2014, MAAMC began the process to develop a firm five-year strategic plan and met with the Virginia State University to begin the development process. In June 2014, the board approved \$10,000 for a consultant, and in November 2014, the museum hired a consultant to develop the museum's strategic plan. In December 2014, the consultant moderated an all-day retreat for the museum's management team to lay the framework for the strategic plan, and the framework was presented for review to the board at its annual retreat in January 2015. MAAMC expects to complete the plan by June 2015 for the period July 1, 2015, through June 30, 2020. The **Department of Legislative Services (DLS) recommends that the agency brief the committees on the status of the strategic plan.**

Fiscal 2015 Actions

Cost Containment

A 2% across-the-board reduction in fiscal 2015 decreased general funds by \$40,000. The museum anticipates leaving a vacancy open through fiscal 2015 and using savings from renegotiated contracts to meet the decrease.

Proposed Budget

State support for MAAMC is budgeted as a general fund grant. As shown in **Exhibit 1**, after cost containment reductions, the fiscal 2016 allowance for the museum is \$1.96 million, a slight decline from the 2015 working appropriation. The grant amount is designed to provide State support for 50% of MAAMC's operating budget. However, in the past few years, MAAMC has been unable to meet this match requirement, and in fiscal 2012 and 2013 required a general fund deficiency.

Exhibit 1
MAAMC Expenditures and Revenues
Fiscal 2010-2016
(\$ in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Appropriation 2015</u>	<u>Allowance 2016</u>
Regular Salaries and Wages	\$1,832	\$1,865	\$1,582	\$1,363	\$2,166	\$2,192	\$2,139
Contractual Employees	100	150	150	136	124	131	203
Fuel and Utilities	350	363	291	269	302	288	370
Contractual Services	1,263	1,185	939	793	1,167	1,162	1,152
Other Operating Costs	202	172	124	126	211	227	229
Total Costs	\$3,748	\$3,735	\$3,086	\$2,687	\$3,970	\$4,000	\$4,093
General Funds	\$2,100	\$2,000	\$2,450	\$2,430	\$2,000	\$2,000	\$2,000
Cost Containment						-40	-41
Total State Funds	\$2,100	\$2,000	\$2,450	\$2,430	\$2,000	\$1,960	\$1,959
Privately Raised Revenue	\$1,648	\$1,735	\$636	\$257	\$1,970	\$2,040	\$2,134
Total Revenue	\$3,748	\$3,735	\$3,086	\$2,687	\$3,970	\$4,000	\$4,093

MAAMC: Maryland African American Museum Corporation

Source: Governor’s Budget Books, Fiscal 2010-2016

Cost Containment

A 2% across-the-board reduction decreased general funds by \$41,000. The museum anticipates continuing its cost containment strategy from fiscal 2015 into 2016.

Operating Expenses

The museum prepares its budget with the anticipation of meeting its required match and having a total of \$4 million to allocate across its expenses. If fundraising falls short, MAAMC is forced to reduce its expenses over the course of the fiscal year. Salaries and contractual services make up the largest component of each budget. In fiscal 2013, because MAAMC was only able to contribute \$257,000 in privately raised revenue to operating costs, the museum was forced to reduce salaries by approximately \$861,000, and contractual services by \$259,000.

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In fiscal 2014, MAAMC had much more success in raising private revenues. The museum received permission to reallocate a \$200,000 grant from Baltimore City for information technology upgrades, received a \$96,000 grant from the Maryland War of 1812 Bicentennial Commission for an exhibit, and received in-kind contributions from a local bank to help fund a traveling exhibit. As a result of the fundraising, MAAMC was only forced to reduce contractual spending by \$30,000. The museum was able to hire a development director, a development manager, and a marketing director; 3.0 positions that had been vacant for a couple of years.

As personnel costs make up most of MAAMC's expenses, lack of revenue is reflected in 6 vacant positions: director of collections and exhibitions, marketing specialist, development/grant manager, associate curator, education specialist (Public Programs), and facilities technician. With the recent upsurge in revenues, the museum is in the process of filling 4 of the open positions and is focused on becoming fully staffed as funding permits.

Issues

1. Museum Closer to Meeting Match Requirement

Since its creation in 1998, MAAMC has received general fund grants in various amounts for operating assistance. In fiscal 2005, the legislature began adopting budget narrative that directed the Department of Budget and Management (DBM) and the museum corporation to enter into a memorandum of understanding (MOU) that includes matching fund requirements. The MOUs for fiscal 2005 through 2007 required the State grant to account for 75% of the museum's operating expenses. For fiscal 2008, the General Assembly added budget language that expressed intent that the general fund grant supports no more than 50% of the operating expenses. Since that time, MOUs have been executed each year to reflect this intent.

In fiscal 2010, the museum corporation received \$2 million in general funds, and the MOU required the museum to raise at least \$2 million of its own funds. However, the museum was unable to meet the requirement, and DBM approved a waiver to the MOU. The same situation occurred in fiscal 2011.

Fundraising dramatically fell in fiscal 2012 and 2013. Revenue fell from \$1.7 million in fiscal 2011 to approximately \$636,000 in fiscal 2012, a 63% decline. Revenue fell again in fiscal 2013, from \$636,000 in fiscal 2012 to \$257,000, another 60% decrease. A waiver from the match requirement was not sufficient to address the issue in either year. Accordingly, the museum received an additional \$450,000 in general funds for fiscal 2012, and \$430,000 for fiscal 2013. In fiscal 2014, the museum raised private revenues of \$1.9 million, ending just shy of the match requirement. The museum's private revenue stream is largely composed of non-State grants, contributions, and admissions.

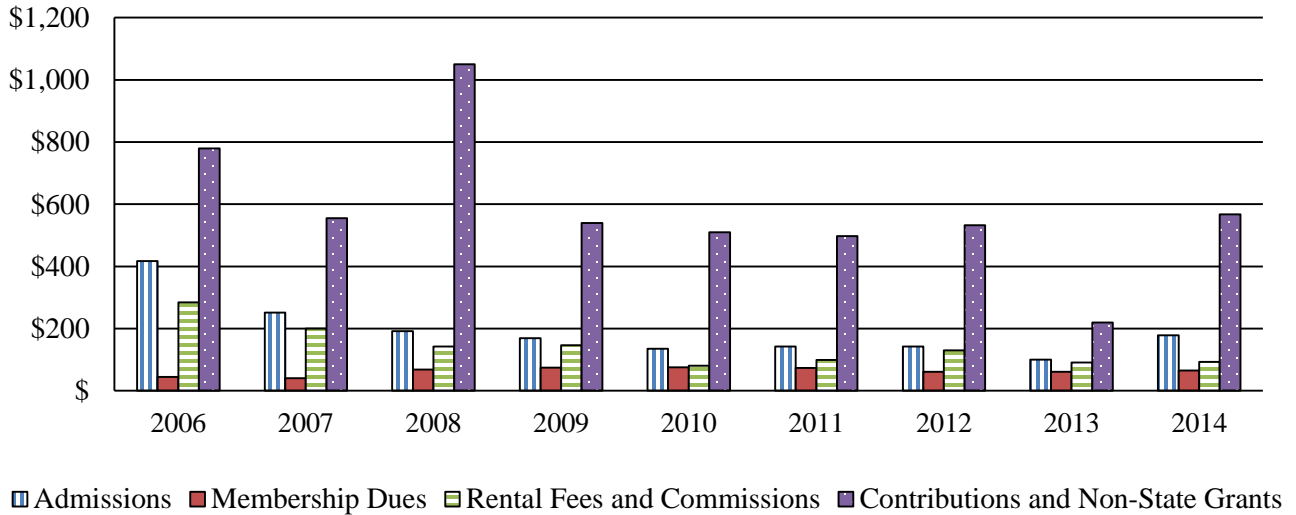
The 2% across-the-board decrease in the State provided general fund grants in both fiscal 2015 and 2016 will require MAAMC to either raise more private revenue or cut operating expenses. This may impede the museum's ability to continue its progress toward meeting the match requirement.

Fundraising

In fiscal 2013, the museum partnered with the DeVos Institute of Arts Management to evaluate the museum's operational issues. The evaluation clearly determined that the museum's financial issues have stemmed from inadequate fundraising efforts. The evaluation determined that the museum should focus on creating a fully engaged board of directors capable of assisting the museum's fundraising efforts, as it is incumbent on the board to help bring in corporate sponsorships, grants, and memberships.

As shown in **Exhibit 2**, the museum relies heavily on private contributions and non-State grants. These contributions take many forms, most notably corporate or nonprofit exhibit sponsorships. Contributions and sponsorships can be highly variable on an annual basis, which becomes problematic for the museum because these contributions are usually the greatest source for matching funds.

Exhibit 2
Major Sources of Private Funds
Fiscal 2006-2014
(\$ in Thousands)



Note: Does not include other sources of revenues, such as endowment income, which can sometimes be significant.

Source: Maryland African American Museum Corporation

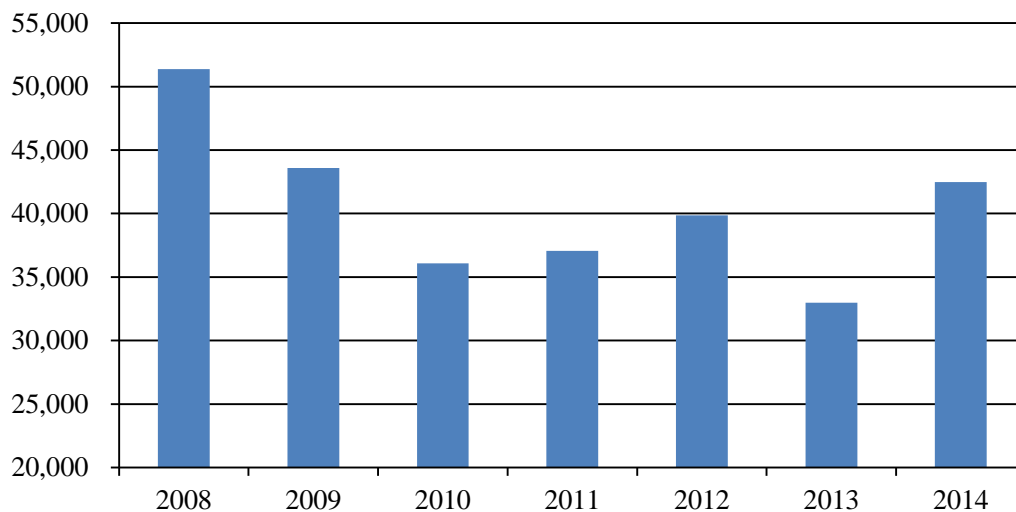
Contributions and non-State grants reached a high of \$1.1 million in fiscal 2008. While averaging about \$558,000 from fiscal 2008 through 2013, by fiscal 2013, the amount dropped to \$220,000, a 79% decrease from 2008. In fiscal 2014, the museum was back around the average, reaching \$568,000. Significant contributions in that year included a \$96,000 grant from the Maryland War of 1812 Bicentennial Commission for an exhibition related to the Star Spangled 2000 Celebration in Baltimore City and \$350,000 in-kind contributions from a local bank to help fund a traveling exhibit. The exhibit brought in a well-known African American collection that generated significant attention to the museum. Admission revenues in fiscal 2014 were the highest since 2008.

Attendance

Admissions income represents the second largest source of private revenue for the museum. Lower than expected attendance has been a concern for the museum since it opened in June 2005, and a drop in ticket sales has contributed to the museum’s fundraising problems. The museum charges an \$8 general admission. General admission discounts include \$6 for seniors, youth (age 7 to 17) and students, and free admission for members, children under 6, Maryland public school teachers, and Title I school students.

Exhibit 3 shows the level of attendance for the last seven years. Attendance figures include paying individuals, members, children under six, meeting space rentals, and scheduled school tours. Fiscal 2013 marked an historic low for the museum, dropping to 32,974 from 51,368 in fiscal 2008. The museum did see an uptick in attendance in fiscal 2014, increasing to 42,487. Local and special events can largely impact the museum’s attendance numbers. Some of the attendance improvement for fiscal 2014 can be attributed to two special exhibitions entitled, “For Whom it Stands,” and “The Kinsey Collection,” a special Kwanzaa event featuring Dr. Maulana Karenga, and general admission passes sponsored by a local bank. In fiscal 2015, attendance numbers have dropped from fiscal 2014 largely because the museum did not have a special exhibition to open the fiscal year as it had in fiscal 2014. The museum anticipates increased attendance in spring 2015 with the opening of the Dance Theater of Harlem exhibit, a Children’s Book Fair, and anniversary events.

Exhibit 3
Museum Attendance
Fiscal 2008-2014



Note: 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.

Source: Maryland African American Museum Corporation

DLS recommends that MAAMC comment on the trends in attendance and fundraising and how the museum’s new strategic plan coupled with the 2% State grant reduction will affect these trends.

Recommended Actions

1. Concur with Governor's allowance.

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 2014					
Legislative Appropriation	\$2,000	\$0	\$0	\$0	\$2,000
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$2,000	\$0	\$0	\$0	\$2,000
Fiscal 2015					
Legislative Appropriation	\$2,000	\$0	\$0	\$0	\$2,000
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$2,000	\$0	\$0	\$0	\$2,000

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Objects					
01 Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	0.0%
02 Technical and Spec. Fees	0	0	0	0	0.0%
03 Communication	0	0	0	0	0.0%
04 Travel	0	0	0	0	0.0%
06 Fuel and Utilities	0	0	0	0	0.0%
07 Motor Vehicles	0	0	0	0	0.0%
08 Contractual Services	0	0	0	0	0.0%
09 Supplies and Materials	0	0	0	0	0.0%
11 Equipment – Additional	0	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	2,000,000	2,000,000	2,000,000	0	0%
13 Fixed Charges	0	0	0	0	0.0%
Total Objects	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
Funds					
01 General Fund	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
Total Funds	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.