

HISTORIC ST. MARY'S CITY

A MUSEUM OF HISTORY & ARCHAEOLOGY AT
MARYLAND'S FIRST CAPITAL

**Fiscal Year 2026 Operating Budget
D17B0151**

**TESTIMONY OF JOHN L. SEIDEL, PHD
Executive Director/CEO
Historic St. Mary's City Commission**

**Education, Business and Administration Subcommittee
Subcommittee - Budget Hearing
Senator Nancy J. King, Chair
February 21, 2025**

**Education and Economic Development - Budget Hearing
Delegate Stephanie M. Smith, Chair
February 28, 2025**

Madam Chair and Members of the Committee, thank you for the opportunity to provide testimony on the proposed FY 2026 operating budget of the Historic St. Mary's City Commission and to offer the agency's response to the Legislative Budget Analysis.

I have just completed my first year at the Historic St. Mary's City Commission (HSMCC) as its new Executive Director/CEO, and I couldn't be more pleased with our staff's achievements over the past year and with the prospects in front of us. Historic St. Mary's City is one of the nation's premier outdoor museums of living history and archaeology, and we take our role of stewardship and public education very seriously.

Let me express, at the outset, our appreciation for the level of funding proposed in what we know is a very difficult year. Maintaining the proposed level of funding is critical to our continued service to the citizens of Maryland and to our preparations for the coming 400th anniversary of Maryland in 2034. It also will push us toward our goal of contributing to and diversifying the economy of Southern Maryland through heritage tourism.

You have seen the Legislative Budget Analysis, with which we concur. As the analysis notes, the primary change in the proposed FY 2026 operating budget is an increase of \$94,000 in personnel costs. This is due to important personnel changes, namely 7 contractual conversions for existing staff. These are positions that we consider permanent, and they improve the situation of talented staff members who have been with us for over two years.

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The importance of these conversions is due to the real difficulties experienced by HSMCC in recruiting and retaining staff, largely because of competition from Patuxent River Naval Air Station and its contractors, with their higher pay scales and benefit packages. This is particularly true for our contractual positions – anything we can do to convert existing contractual positions to PIN'd positions is a major step forward for recruitment and retention.

The importance of maintaining and improving our operational funds for staffing comes into better focus when seen in a larger context, comparing this museum to its peers. Our 2021 Master Plan compared us to similar living history museums. At that time, HSMCC staffing was only about a third of that of the smallest of these comparison sites, Plimoth Patuxet (52 employees at HSMCC vs 150 at Plimoth Patuxet). Other competitors enjoy staffing levels four to seven times greater than HSMCC. This imbalance is acute and has not changed in the intervening years. As noted by the Master Plan consultants:

Though comparable in size and function, nearby Jamestown-Yorktown has over seven times more staff than Historic St. Mary's City. This is commensurate with their greater attendance numbers, achieved through an aggressive development of the site for the 400th Anniversary in 2007. As Historic St. Mary's City works to meet the ambitious goals for the 400th Anniversary in 2034, staffing will likewise need to increase dramatically.

This analysis from the Master Plan encapsulates our dilemma well. The existing staff at HSMCC have an impact far greater than their numbers would suggest – they punch far above their weight. But if we wish to position ourselves to take advantage of the opportunities afforded by the 400th anniversary, our staffing levels will need to grow and become more competitive. The potential benefits of such investments and the coming 400th anniversary are profound and can contribute both to economic growth and a diversified and more resilient regional economy.

Virginia's Historic Triangle (Jamestown-Yorktown-Williamsburg) offers a good illustration of how such investments can pay off. Heritage tourism in Virginia, especially in the Historic Triangle area, has become a major economic driver, generating jobs and tax revenues. In 2021, visitors to Colonial National Historical Park alone (Jamestown-Yorktown) spent \$336,833,000 in local communities, supporting 5,039 jobs and having a cumulative benefit of \$453,114,000 to the local economy. Overall, heritage tourism in Virginia generates almost \$7.7 billion annually.

We have a similar opportunity before us in Southern Maryland. The coming 400th anniversary of Maryland's founding should serve as a catalyst for greater recognition of HSMCC

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and nearby historic sites, as well as for regional economic growth via heritage tourism and ecotourism. We hope to work closely with you to meet this challenge, as well as to realize the additional infrastructure work needed to maximize the impact of this “once in several generations” milestone. As I emphasized last year at this time, we owe it to the State and our varied constituents to capitalize on this rare opportunity and make the most of it. We are grateful to the General Assembly and the Moore-Miller Administration for their support of these efforts.

I am delighted with our recent progress at Historic St. Mary's City and continue to believe that this foundational site in Maryland's history is an extraordinary jewel in Maryland's network of historic sites, with remarkable opportunities for education and regional economic development. On behalf of my colleagues and the many thousands of Maryland citizens who enjoy these resources each year, I thank you for your continued support of our work. Our response to the Legislative Operating Budget Analysis follows.

(continued)

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Fiscal Year 2025 Operating Budget RESPONSE TO DEPARTMENT OF LEGISLATIVE SERVICES BUDGET ANALYSIS

Education and Economic Development - Budget Hearing
Delegate Stephanie M. Smith, Chair
February 8, 2025

Education, Business and Administration Subcommittee
Subcommittee - Budget Hearing
Senator Nancy J. King, Chair
February 15, 2025

The Historic St. Mary's City Commission is pleased to respond to the proposed FY 2026 operating budget and to the analyst comments, as follows:

1. Agency Response to the Proposed FY 2026 Operating Budget

Proposed Budget Change

The fiscal 2026 allowance is about \$94,000 higher than the prior year, with most of the growth due to personnel costs, as shown in Exhibit 2. The fiscal 2026 allowance includes 7 contractual conversions for existing employees, which HSMCC believes will help with employee retention, which results in a net increase of approximately \$106,000.

HSMCC Response: HSMCC concurs with the recommended budget actions.

2. Agency Response to Analyst Questions

Special Fund Revenue Decreases

HSMCC receives some revenues that are available for it to use as special funds. These include revenues that the commission earns from ticket sales, gift shop income, site rentals, gifts, and grants. The Historic St. Mary's City Foundation also provides some support to the commission that is recorded as revenue, and volunteer services are valued as in-kind contributions. Along with the reduction in attendance, discussed in Key Observation 1, revenues declined in fiscal 2024, as shown in Exhibit 4.

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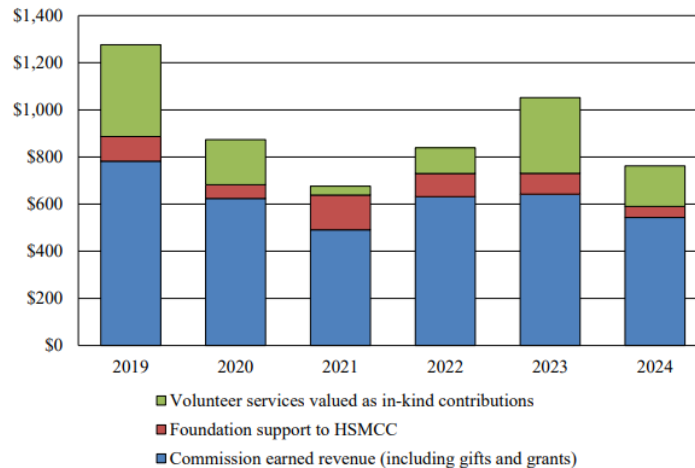
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Exhibit 4
Historic St. Mary's City Commission Revenues
Fiscal 2019-2024
(\$ in Thousands)



*Earned revenue, the largest source of special funds, declined from \$642,000 in fiscal 2023 to \$543,000 in fiscal 2024. Ticketed sales decreased by 9% to about \$103,000, and residential and commercial leases for property that HSMCC owns that is not part of the park decreased by 20% to about \$96,000. Donations increased by 48% to \$32,000. **HSMCC should provide an update on its efforts to secure non-State sources of revenue.***

HSMCC Response: The agency recognizes the importance of non-State sources of revenue and has embarked on a comprehensive rebuilding effort to increase capacity in a number of areas. These include revenue streams captured in Table 4 of the analysis (above) and new sources, as follows:

- Admissions
- In-kind revenue from volunteers
- Leases (commercial and residential)
- Major gifts (to the Historic St. Mary's City Foundation and to HSMCC) & grants
- Memberships
- Annual events
- Revenue-producing programs

This response begins with a bulleted summary of the most important actions taken over the last year. That is followed by a more detailed explanation of our work in each of these revenue categories.

Summary

- Recruited and onboarded a new Director of Advancement and Communications with extensive fundraising experience in this community to lead external funding efforts.

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- Initiated the acquisition of museum management software with robust donor engagement and fundraising tools to enhance fundraising efficiency.
- Reexamined commercial leases, working to renovate the Farthing's Ordinary Complex for use by a restaurant, and successfully recruited and signed a new restaurant.
- Reassessed HSMCC's residential housing stock, and developed a plan for mold remediation and updating, with an eye to maximizing rental income; this includes a re-examination of leases with St. Mary's College, to bring rental rates up to a more realistic, market level.
- Rejuvenated an events program for facilities rental (weddings, dinners, and other activities of external organizations).
- Redesigned and reimagined HSMCC's signature event lineup to prioritize brand visibility, audience growth, and revenue generation.
- Began building a sophisticated fundraising office, implementing best practices, strategic planning, and board recruitment.
- Conducted a comprehensive evaluation of HSMCC's membership offerings in comparison to peer institutions, leading to a data-driven revision of membership packages to align with industry best practices.
- Evaluated museum ticket prices relative to both regional and national peers, paving the way for more realistic and consistent pricing.
- Developed and prepared for the launch of a major giving program to cultivate and steward high-level donors.
- Initiated an internal capacity analysis to (A) assess readiness for a potential comprehensive campaign and long-term funding sustainability, and (B) lay the groundwork and plan for such a campaign.
- Strengthened donor communications, refining messaging and engagement strategies to enhance donor retention and acquisition.
- Expanded outreach to educational institutions to increase program participation and potential grant funding opportunities.
- Reassessed and expanded volunteer programs with new leadership.
- Re-examined gift shop sales with an eye toward profitability and eventual movement to online, e-commerce opportunities.
- Re-engaged with the Historic St. Mary's City Foundation to agree on an updated MOU, to build its Board, and to implement new policies for investment, fundraising, and procurement on behalf of HSMCC.

Greater detail on these various initiatives is offered below.

Admissions

Table 1 summarizes various sources of HSMCC earned revenue data for the last six fiscal years. As noted above, all of these revenue sources are being considered, but the following

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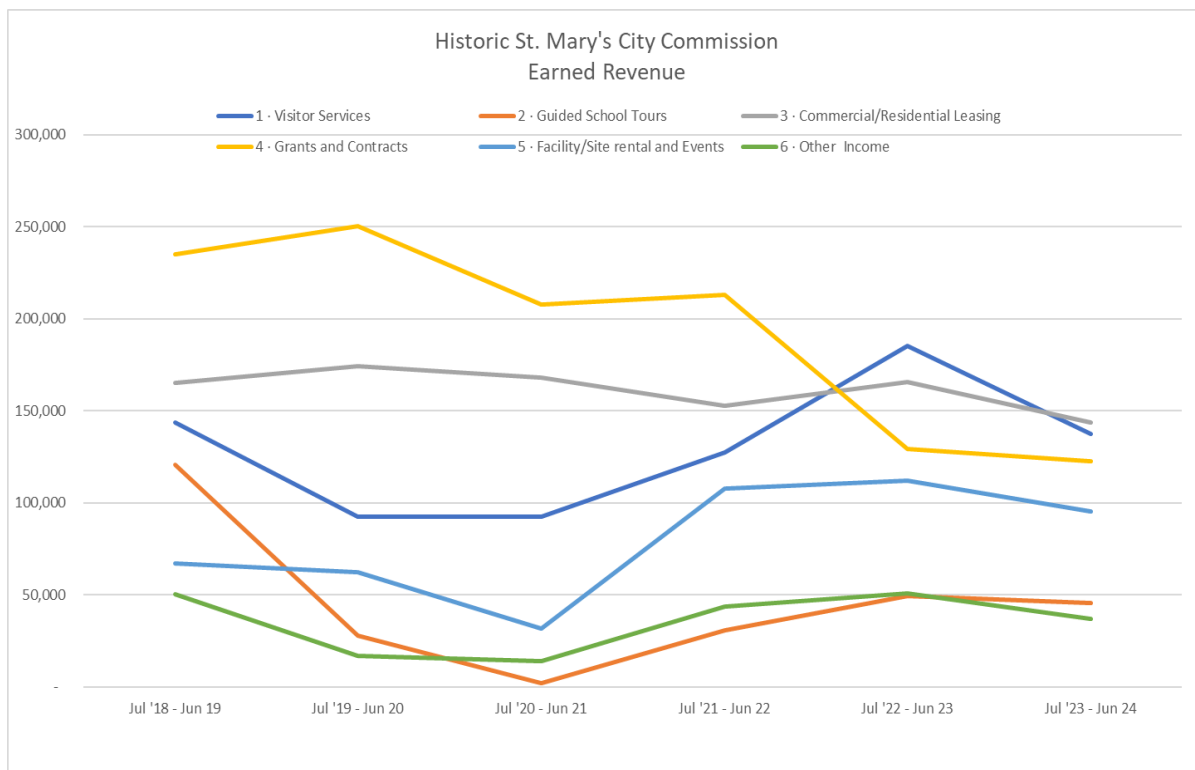
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discussion focuses on one subset of these revenue sources, ticket sales and admissions, as an example of a data-driven approach to the issue.

Table 1 below reflects earned revenue over six fiscal years, through the end of FY 2024, including guided school tours (orange) and general admissions (dark blue). Each of these two types of visitation is addressed separately below, but the analysis first had to consider context, in the form of general trends of visitation nation-wide, as well as the impacts of the COVID-19 epidemic (beginning in March of 2020). The following national data provide a background and benchmark for HSMCC.

Table 1: HSMCC Earned Revenue summarized



Statistics compiled by the American Alliance of Museums show that nationwide, as of October 2020, museums were experiencing only 35% of their normal pre-COVID visitation rates. Two years later, even well-known, high visitation sites were still reporting a lag. By 2023, some museums had returned to normal visitation levels, but two-thirds had not, reaching an average of only 72% of their pre-pandemic rates. These data are important in understanding how HSMCC has fared compared to other historic sites and museums, and we track these data carefully.

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For HSMCC **school tours**, the high-water mark for visitation was FY 2016. School group attendance dropped sharply over the next two years. Keeping in mind that the vast bulk of HSMCC's school tours are booked at the end of each school year, the initial drop clearly coincides with the March 2020 onset of the COVID-19 epidemic. It hit a low in FY 2021 and then began a slow, but steady, rebound. For FY 2024, the numbers remained static, not increasing as much as in the previous two years, but this is in part due to the closure of one of our main parking lots and resulting uncertainty and logistical complexity for school trip leaders.

That said, school tours are facing headwinds across the state and beyond. This extends at least as far back as 2008-2009 and is due to a variety of factors (school system budget challenges, the increasing cost of transportation, increasing mandates on teachers, and the requirement that teachers show a clear link to curriculum needs for every activity). Seen in this light, HSMCC's numbers for school field trips are surprisingly good, but it is our belief that field trips will continue to show only modest growth. They are now a less reliable and lucrative segment of revenue, but nevertheless are central to the mission of the institution.

The picture is brighter with regard to **general museum visitation**. The trend line (dark blue) in Table 1 shows the same decline in visitors associated with COVID-19, but with a sharp rebound in FY 2022 and FY 2023. Noteworthy is the visitation in FY 2023, which exceeded the total visitation experienced at HSMCC prior to COVID-19. This compares very favorably to, and exceeds, national trends. We believe that the downturn in FY 2024 is temporary, reflecting disruptions to the visitor experience due to some major maintenance and site improvement projects, such as the Farthing's Ordinary parking lot closure and the loss of the restaurant at Farthing's. As these projects are completed in FY 2025, and as the outward appearance of the site improves with additional projects and with rejuvenated staffing at the Commission for events, memberships, and communications/outreach, we expect a resumption in growth. This should further increase as new public relations and advertising initiatives take hold, including a major PBS film on Historic St. Mary's City and the founding of Maryland that is scheduled for release in mid-2025.

Despite the good news on general admissions, we are closely examining ticketed **admissions prices**. Our analysis of HSMCC admission fees has concluded that an increase in admissions fees is overdue, and we are taking a data-driven approach to setting new prices and new structure for admission fees.

Memberships & Volunteers

We also have conducted a comprehensive evaluation of HSMC's **membership offerings** in comparison to peer institutions, leading to a data-driven revision of membership packages to

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align with industry best practices. HSMCC hired a new membership coordinator who is rejuvenating that effort, along with a **volunteer coordinator** who has doubled the number of volunteers in her few short months on the job.

Leases (Commercial and Residential)

HSMCC has both commercial leases (farming and rental space for hospitality) and residential leases. On the **commercial lease** front, a major priority over the past few months has been renovation and remediation of the commercial kitchen space in Farthing's Ordinary. This is a prerequisite before a new food service can move in and operate. When the restaurant opens in late FY 2025, the vendor will produce important rental income for HSMCC, while also making the site more inviting for visitors and allowing us to retain them on-site for longer.

Residential leases are a thorny problem that is a work in process. HSMCC properties include three "life estates" that no longer return any revenue: the Branham House, Clockers Fancy, and the Tilch House. Clockers Fancy and the Tilch House are under lifetime curatorship agreements (2005 and 2007, respectively) and are similar to the Curatorship Program maintained by the Maryland Department of Natural Resources. Stewardship of Branham House has recently shifted to HSMCC with the passing of its resident, and we are working with DBM to assess its potential and needed upgrades to maximize its value.

HSMCC also owns 14 other rental properties, ten of which are currently rented. All 14 buildings need significant work due to many years of deferred maintenance, but these are gradually being improved, albeit to "builders grade" condition. A recent analysis reviewed their status, the projected cost of rehabilitation, current rental revenue, and projected revenue and ROI based on post-rehabilitation rental rates. However, this assessment probably did not adequately consider the likelihood of required mold remediation, which has only recently come to the fore. This work will continue and is a priority – rental properties should all be in such a state that they return a benefit to HSMCC. Assessments also will need to consider the potential historical significance of each structure. Determinations on how to approach the buildings are complex, requiring a balance of the potential income for rents at highest and best use vs the need for HSMCC staff housing in a very difficult regional housing market. Residential leases to St. Mary's College of Maryland (SMCM) are being revised as part of a new, comprehensive MOU between HSMCC and SMCM, with the aim of capturing realistic market lease rates (these rates should be adjusted every year to reflect inflation, but have not changed for many years).

Events, Gift Shop Revenue

Analysis of **annual events** at HSMCC has revealed that many require an extraordinary level of staff support with a minimal return on investment (ROI). Our new approach sees such events as important primarily as a means to enhance community awareness, not as fundraisers.

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Purely in terms of a return on effort, it usually is more profitable to spend that time and effort on cultivating high net-worth individuals. That said, a small number of new, seasonal events are being implemented, primarily as “friend-raising” efforts, while we phase out events that were a drain on agency resources, such as the annual holiday Madrigal dinner. New events include a highly successful Vampire Manor offered in the Fall of 2024, with plans in 2025 for adding a Frost Fair. The financial return from HSMCC’s signature fundraiser, BeerFest, has gradually declined, and in 2025 it will emerge as a re-envisioned MarylandFest, retaining the old event at its core, but expanding into a more broadly appealing celebration of all things Maryland.

HSMCC also has rejuvenated its efforts at **leasing facilities** and **hosting events** such as weddings and dinners for individuals and external organizations. A new Events Manager was hired and is building capacity and expanding our outreach through marketing and events such as an Annual Wedding Expo. **Gift shop operations** have been in flux, as the location is shifting to make room for the commercial kitchen and restaurant Farthing’s Ordinary, but a new manager was recruited, inventory has been updated, sales patterns have been analyzed, and the inventory is being reconfigured to maximize returns. A next step will be to build online sales, once the appropriate software and support system has been implemented (see below).

Revenue-producing programs associated with 17th C. skills have had some importance in the past, but we plan for an ambitious expansion of these programs in the future. The existing print shop offers a glimpse of the potential, and at other historic sites, trades such as wood working and blacksmithing are popular visitor attractions. The current plan for the new Education & Artisan Center includes the addition of paid programs such as hands-on maritime maintenance activities in the Artisan Center, classes in historic fabric dying, fundraising events for museum members, archaeological and historic preservation seminars, pottery production classes, enhanced Home School Day events, and more. To these offerings, we propose adding longer duration, fee-based experiential programs aimed at producing revenue and keeping participants on site. Once lodging and food is offered on campus, these offerings will be easier, while also enhancing revenue. While the precise nature of the program offerings and fees are still under discussion, they would include experiential foci such as timber framing, agriculture, and foodways. A preliminary business model has been prepared, and this will be further developed as the new facilities approach completion.

Major Gifts & Grants

HSMCC traditionally has fared well in its pursuit of **grants**. Despite a likely downturn in the availability of federal grant funding over the next few years, we are redoubling our efforts on this front, exploring state and foundation grants. This will be facilitated by two recent hires: (1) a Director of Advancement & Communications who will be important across all of these revenue streams, but particularly in grants and gifts; and (2) a new Deputy Director of Research &

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Collections with major grant experience. As we re-energize our grant-seeking efforts, we are paying careful attention to the ROI (some grantors require an inordinate amount of time and effort in applications and reporting relative to the level of funding, while others are more streamlined), while also training staff members in how to write grants and then steward them.

Annual giving is a major focus, linked to the reconfiguring of membership levels. An important new focus is on **major gifts**. Major gifts are distinguished from annual giving because these are often much more substantial gifts, typically given for a specific purpose, and they may or may not be repeated with any regularity. A critical objective over the next few years is to develop and cultivate a network of high net-worth individuals who can be approached for such large gifts, and who will assist in identifying additional, like-minded donors. Unrestricted funds are always preferable, but we will follow donor desires.

Some major gifts may go toward **endowment**, which should be a major objective for HSMCC and/or the HSMCC Foundation over time. There are challenges in raising endowment, but it is well within our ability to do so, and this deserves serious attention. As we move in this direction, we are developing both endowment and portfolio investment policies.

It is critical to note that we are in a building phase for many of these fundraising activities, essentially **creating a fundraising infrastructure**, with dedicated staffing and software support. Currently, membership, ticket sales, gift shop sales, gifts, and other important activities are managed in a disparate set of software programs that are not integrated and therefore inefficient. An important priority is to replace these separate programs with a single, integrated data and constituent management system. We have selected Blackbaud Altru as the most effective and competitive solution, and the museum is in the process of completing the purchase of this system. Once it is in place, there will be a transition period during which staff learn the system and import data, but the end-result will be a single system that integrates all data and also opens up possibilities such as e-commerce.

Finally, HSMCC staff are working with the **Historic St. Mary's City Foundation** to rebuild its Board of Directors, expand its operations and capacity and to build an ever-expanding network of donors. Elements of this project include a new MOU governing the relationship, new investment policies, financial tools for purchasing (all done in accord with State procurement standards), donor relationships, and Board expansion.

We are confident that the comprehensive and ambitious set of activities outlined above will significantly expand non-state revenue to Historic St. Mary's City. But it will not happen overnight. Before these revenue sources can be fully realized, we have a lot of building and outreach to do. We are fully committed to this long-term effort and excited by the potential and the wonderful progress made to date.

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