

Exhibit Number: 1

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Historical Society

Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	57.68	(0.84)	0.75	57.59	(0.84)	0.75	57.59	57.59
Personal Services	2,275,999	221,509	29,924	2,527,432	220,374	29,883	2,526,256	5,053,688
Operating Expenses	1,254,988	114,536	35,600	1,405,124	85,315	35,600	1,375,903	2,781,027
Equipment	9,910	65,668	0	75,578	10,892	0	20,802	96,380
Grants	194,795	0	0	194,795	0	0	194,795	389,590
Transfers	46,752	0	0	46,752	0	0	46,752	93,504
Total Costs	\$3,782,444	\$401,713	\$65,524	\$4,249,681	\$316,581	\$65,483	\$4,164,508	\$8,414,189
General Fund	1,715,418	228,053	0	1,943,471	153,144	0	1,868,562	3,812,033
State/Other Special	517,318	38,337	0	555,655	37,256	0	554,574	1,110,229
Federal Special	720,896	70,645	0	791,541	69,893	0	790,789	1,582,330
Proprietary	828,812	64,678	65,524	959,014	56,288	65,483	950,583	1,909,597
Total Funds	\$3,782,444	\$401,713	\$65,524	\$4,249,681	\$316,581	\$65,483	\$4,164,508	\$8,414,189

Agency Description

The Montana Historical Society (MHS), authorized by Title 22-3-101, MCA, exists for the use, learning, culture, and enjoyment of the citizens of, and visitors to, the State of Montana. The society acquires, preserves, and protects historical records, art, archives, museum objects, historical places, sites, and monuments. The society maintains a library and a historical museum, provides educational programs and services for teachers and the general public, and publishes the state historical magazine and newsletter. The society also administers preservation and antiquities acts, supports commissions with state historical orientation, and provides technical assistance to all Montana museums, historical societies, preservation programs, and owners of historic resources.

Agency Highlights

Montana Historical Society Major Budget Highlights	
<ul style="list-style-type: none"> • The executive recommends increases over the biennium for: <ul style="list-style-type: none"> • Statewide present law adjustments • Restricted, one-time-only funding of \$75,000 for equipment • Authority to expend proprietary funds for increased costs associated with public requests and 0.75 FTE • A reduction in two programs of \$52,700 general fund • Language requesting \$1.2 million from the Department of Commerce accommodation tax for society projects is recommended 	

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Executive Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Administration Program	\$ 1,973,065	\$ 293,628	\$ 266,801	\$ 870,690	\$ 3,404,184	40.5%
02 Library Program	1,286,150	50,816	-	133,932	1,470,898	17.5%
03 Museum Program	369,655	765,785	-	23,229	1,158,669	13.8%
04 Publications Program	101,174	-	-	871,746	972,920	11.6%
06 Historic Preservation Program	81,989	-	1,315,529	10,000	1,407,518	16.7%
Grand Total	\$ 3,812,033	\$ 1,110,229	\$ 1,582,330	\$ 1,909,597	\$ 8,414,189	100.0%

Biennium Budget Comparison

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	Present Law Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Biennium Fiscal 04-05	Total Exec. Budget Fiscal 06-07
FTE	56.84	0.75	57.59	56.84	0.75	57.59	57.68	57.59
Personal Services	2,497,508	29,924	2,527,432	2,496,373	29,883	2,526,256	4,716,909	5,053,688
Operating Expenses	1,369,524	35,600	1,405,124	1,340,303	35,600	1,375,903	2,516,089	2,781,027
Equipment	75,578	0	75,578	20,802	0	20,802	21,329	96,380
Grants	194,795	0	194,795	194,795	0	194,795	383,701	389,590
Transfers	46,752	0	46,752	46,752	0	46,752	93,504	93,504
Total Costs	\$4,184,157	\$65,524	\$4,249,681	\$4,099,025	\$65,483	\$4,164,508	\$7,731,532	\$8,414,189
General Fund	1,943,471	0	1,943,471	1,868,562	0	1,868,562	3,481,698	3,812,033
State/Other Special	555,655	0	555,655	554,574	0	554,574	1,068,899	1,110,229
Federal Special	791,541	0	791,541	790,789	0	790,789	1,476,745	1,582,330
Proprietary	893,490	65,524	959,014	885,100	65,483	950,583	1,704,190	1,909,597
Total Funds	\$4,184,157	\$65,524	\$4,249,681	\$4,099,025	\$65,483	\$4,164,508	\$7,731,532	\$8,414,189

New Proposals

The "New Proposal" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Library Sales Increase 02	0.00	0	0	0	10,000*	0.00	0	0	0	10,000*
DP 4 - Entrance Fee Collection and Exhibits 01	0.75	0	0	0	27,219*	0.75	0	0	0	27,178*
DP 7 - Original Governor's Mansion Entrance Fees 03	0.00	0	0	0	5,000*	0.00	0	0	0	5,000*
DP 10 - Registration Fees 01	0.00	0	0	0	18,305*	0.00	0	0	0	18,305*
DP 11 - SHPO Photocopy Fees 06	0.00	0	0	0	5,000*	0.00	0	0	0	5,000*
Total	0.75	\$0	\$0	\$0	\$65,524*	0.75	\$0	\$0	\$0	\$65,483*

Language

The legislature added the following language that requests the Department of Commerce to use a portion of the accommodations tax funding for Historical Society projects, similar to language approved by the 2005 legislature.

"It is the intent of the legislature that the Department of Commerce use lodging facility use taxes to fund \$617,782 in fiscal year 2006 and \$617,782 in fiscal year 2007 for the Montana Historical Society. This would be expended as follows:

Historical Interpretation	\$197,631	\$190,392
Scriver Collection	120,151	127,390
Lewis and Clark Exhibit & Interpretation	100,000	100,000
Lewis and Clark Bicentennial Commission	200,000	200,000

The first three uses of lodging taxes are budgeted in items 1 and 3. The \$200,000 each fiscal year of the biennium for the Lewis and Clark Bicentennial Commission is a language appropriation."

LFD COMMENT	In the 2001 and 2003 legislative sessions, the legislature made similar suggestions, for different amounts, to the Department of Commerce, which agreed to provide funding for these purposes from their statutory appropriations.
Refer to Volume 4, Section C – Natural Resources and Commerce under the Department of Commerce, Montana Promotion Division for a discussion of the bed tax.	

Agency Issues

Access to Information and Storage of Government Archives

The society faces two realities that impact its obligation to provide information as well as to store and provide access to the records of state government.

- 1) As patrons access information via electronic media rather than print media, the requests for staff to locate, obtain, and disseminate data may grow beyond that which could be handled by the historical society's present equipment and staff. Museum staff tracks the number and method of contact when the public requests services. Requests are on the increase, and expectations are that this upward trend should continue with additional information available via web-based services.
- 2) The society is mandated to receive, store, and provide permanent public access to non-current state government records including an annual average of 1,500 books, 200 maps, 600 microfilm reels, and 20,000 pictures in addition to all of the paper records. Therefore, significant documents are regularly collected and must be filed and stored. This obligation places an increasing burden on society staff.

The legislature may want to ask historical society staff to gather information over the 2007 biennium, and, in preparation for the next biennium, develop a tool from which the next legislature can make recommendations on moving the society toward digitization, and how to phase it into the budget process.

Legislators may wish to have staff report on such items as:

1) Digitization and moving from print to electronic media

- The approach museums and libraries in and around Montana are taking to digitize appropriate material
- Hardware and software costs
- Physical space for the project, short and long term staffing, management and funding structure
- Items most likely to generate revenue if they were digitized first
- Methods to reduce costs by building upon local expertise or seeking additional partners
 - Other Montana or regional agencies facing the same interests that may have equipment available
 - Other states or private collectors that might pay to have a collection digitized
 - Workforce development / training programs
 - Volunteers or college interns
- What would have to be addressed to implement a rudimentary system and manage the technology in order to digitize the most often-requested items and new material as it arrives.

2) Storage of government records

- Investigate issues surrounding available, appropriate storage space for original items and any possible labor saving options related to requiring other agencies to produce a CD of reports that exist electronically before they print the reports for submission to the archives. For example, could computer generated documents be stored on CDs and retrieved through a database as a means to speed up document location, reproduction and dissemination?
- Ascertain that if agencies have the capacity to generate a CD, but opt not to, could the society charge for this service?
- Investigate what other agencies that face permanent record / evidence storage dilemmas are doing to solve their space problems
- Determine if statutory changes are necessary to implement any digital storage options and, if necessary, request bill drafts to implement the change

Historical Society

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	17.58	0.00	0.75	18.33	0.00	0.75	18.33	18.33
Personal Services	727,347	69,612	29,924	826,883	69,014	29,883	826,244	1,653,127
Operating Expenses	703,321	133,786	15,600	852,707	104,355	15,600	823,276	1,675,983
Equipment	0	65,074	0	65,074	10,000	0	10,000	75,074
Total Costs	\$1,430,668	\$268,472	\$45,524	\$1,744,664	\$183,369	\$45,483	\$1,659,520	\$3,404,184
General Fund	864,130	160,116	0	1,024,246	84,689	0	948,819	1,973,065
State/Other Special	115,933	31,449	0	147,382	30,313	0	146,246	293,628
Federal Special	88,686	44,746	0	133,432	44,683	0	133,369	266,801
Proprietary	361,919	32,161	45,524	439,604	23,684	45,483	431,086	870,690
Total Funds	\$1,430,668	\$268,472	\$45,524	\$1,744,664	\$183,369	\$45,483	\$1,659,520	\$3,404,184

Program Description

The Administration Program provides supervision, administration, and coordination of the five programs in the Montana Historical Society. Program staff is responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, historic research, and historic interpretation.

Program Highlights

Administration Program Major Budget Highlights	
<ul style="list-style-type: none"> • Increases over the base year of \$543,000 across the biennium are due to: <ul style="list-style-type: none"> • Statewide present law adjustments • One-time-only decision packages of \$75,000 for equipment • A decision package for 0.75 FTE to collect and manage museum entrance fees 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommend by the Governor.

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 864,130	60.4%	\$ 1,024,246	58.7%	\$ 948,819	57.2%
02007 Accomodations Tax	67,717	4.7%	67,717	3.9%	67,717	4.1%
02041 Mt Hist. Society Donations	48,216	3.4%	79,665	4.6%	78,529	4.7%
03021 Historic Sites Preservation	88,686	6.2%	133,432	7.6%	133,369	8.0%
06071 Merchandise - Historical Soc	284,238	19.9%	324,860	18.6%	318,272	19.2%
06073 Historical Society Management	77,681	5.4%	114,744	6.6%	112,814	6.8%
Grand Total	<u>\$ 1,430,668</u>	<u>100.0%</u>	<u>\$ 1,744,664</u>	<u>100.0%</u>	<u>\$ 1,659,520</u>	<u>100.0%</u>

This program is funded with general fund; state special revenue funds from donations and accommodations tax, federal funds from administration of Nation Parks Service programs; and proprietary funds from charges to the Heritage Commission and Lewis and Clark Commission for services provided by the Montana Historical Society, museum entrance fees, and merchandise sales.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					102,820					102,194
Vacancy Savings					(33,208)					(33,180)
Inflation/Deflation					(2,359)					(2,348)
Fixed Costs					136,145					106,703
Total Statewide Present Law Adjustments					\$203,398					\$173,369
DP 1 - Security Equipment Replacement	0.00	55,074	0	0	55,074	0.00	0	0	0	0
DP 7000 - Computer Server Replacement -	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
Total Other Present Law Adjustments	0.00	\$65,074	\$0	\$0	\$65,074	0.00	\$10,000	\$0	\$0	\$10,000
Grand Total All Present Law Adjustments					\$268,472					\$183,369

The society incurred increased fixed costs primarily for the increased audit, SABHRS and rent costs.

DP 1 - Security Equipment Replacement – The executive recommends one-time-only, restricted general fund revenues for replacement of security systems and equipment within the Historical Societies galleries and exhibits. Replacement involves following the agency's schedule to upgrade or replace items such as security cameras, security monitors, the multiplexer camera, the switcher camera, the time lapse VCR, the computer and printer attached to the security system and replacement and enhancement of outside lighting. This request for \$55,074 in FY 2006 and would ensure the protection and security of artwork, artifacts and archives at risk, including the \$15-\$20 million dollar Russell collection.

DP 7000 - Computer Server Replacement - The executive recommends one-time-only, restricted general fund of \$20,000 over the biennium for two servers. The main Society server is no longer under warranty and the second server in the Historic Preservation program will be out of warranty during the 2007 biennium.

New Proposals

New Proposals	Fiscal 2006					Fiscal 2007					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Entrance Fee Collection and Exhibits											
01	0.75	0	0	0	27,219 *	0.75	0	0	0	27,178 *	
DP 10 - Registration Fees											
01	0.00	0	0	0	18,305 *	0.00	0	0	0	18,305 *	
Total	0.75	\$0	\$0	\$0	\$45,524 *	0.75	\$0	\$0	\$0	\$45,483 *	

DP 4 - Entrance Fee Collection and Exhibits - The executive recommends authority to spend proprietary funds from Museum entrance fees in the amount of \$54,397 over the biennium for 0.75 FTE to provide fee collection for the museum and additional funding for the Museum program.

LFD COMMENT The Museum began charging entrance fees in February 2002 as a means to reduce the use of general fund and respond to national reductions in arts and humanities funding. Fees were increased slightly in May of 2004. Fee revenues were \$21,272 in FY 2002, \$65,390 in FY 2003, and \$54,254 in FY 2004.

DP 10 - Registration Fees - The executive recommends authority to expend fees charged to participants for the Montana History Conference. The fees help pay for a portion of the salaries and operating cost incurred by the Society to administer the conference.

LFD COMMENT Registration fees were \$19,896 in FY 2004. The society used the same amount for registration fees in projecting the FY 2006 and FY 2007 budgets. Of the \$18,300 requested each year, \$12,700 would go toward personal services, \$1,000 to outside consultants, and \$2,000 to printing and graphics, with the balance covering mailing, shipping, and general supplies.

Historical Society

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	14.25	(0.16)	0.00	14.09	(0.16)	0.00	14.09	14.09
Personal Services	568,431	45,175	0	613,606	44,924	0	613,355	1,226,961
Operating Expenses	101,901	(588)	10,000	111,313	(583)	10,000	111,318	222,631
Equipment	9,910	594	0	10,504	892	0	10,802	21,306
Total Costs	\$680,242	\$45,181	\$10,000	\$735,423	\$45,233	\$10,000	\$735,475	\$1,470,898
General Fund	600,422	42,651	0	643,073	42,655	0	643,077	1,286,150
State/Other Special	24,066	1,314	0	25,380	1,370	0	25,436	50,816
Federal Special	0	0	0	0	0	0	0	0
Proprietary	55,754	1,216	10,000	66,970	1,208	10,000	66,962	133,932
Total Funds	\$680,242	\$45,181	\$10,000	\$735,423	\$45,233	\$10,000	\$735,475	\$1,470,898

Program Description

The Library Program consists of the library, archives, and photo archives functions. This program acquires, organizes, preserves, and makes accessible to the public published materials, historic records and manuscripts, photographs and related media, and oral history illustrative of the history of Montana, the surrounding region, and the Trans-Mississippi West. This program houses the official Archives of State Government and the Legislature. It assists researchers seeking historical information.

Program Highlights

Library Program Major Budget Highlights	
<ul style="list-style-type: none"> • Annual increases in funding of \$55,000 over the base year are due to: <ul style="list-style-type: none"> • Present law adjustments that are partially offset by an FTE reduction • A request to spend proprietary funds on costs of responding to public requests for archive and historical data 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommend by the Governor.

Program Funding Table Library Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 600,422	88.3%	\$ 643,073	87.4%	\$ 643,077	87.4%
02007 Accomodations Tax	22,756	3.3%	22,756	3.1%	22,756	3.1%
02041 Mt Hist. Society Donations	1,310	0.2%	2,624	0.4%	2,680	0.4%
06072 Misc Enterprise-Historical Soc	33,138	4.9%	35,039	4.8%	35,030	4.8%
06076 Mhs Library Enterprise Funds	<u>22,616</u>	<u>3.3%</u>	<u>31,931</u>	<u>4.3%</u>	<u>31,932</u>	<u>4.3%</u>
Grand Total	\$ 680,242	100.0%	\$ 735,423	100.0%	\$ 735,475	100.0%

The program is funded with a combination of general fund, state special revenue funds, and proprietary funds from the sale of photographs, photocopies, and fees charged for research time spent by staff on public requests.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,603					77,343
Vacancy Savings					(25,841)					(25,832)
Inflation/Deflation					594					892
Inflation/Deflation					(338)					(333)
Fixed Costs					(250)					(250)
Total Statewide Present Law Adjustments					\$51,768					\$51,820
DP 11 - Statewide FTE Reduction	(0.16)	(6,587)	0	0	(6,587)	(0.16)	(6,587)	0	0	(6,587)
Total Other Present Law Adjustments	(0.16)	(\$6,587)	\$0	\$0	(\$6,587)	(0.16)	(\$6,587)	\$0	\$0	(\$6,587)
Grand Total All Present Law Adjustments					\$45,181					\$45,233

DP 11 - Statewide FTE Reduction – The executive recommends a permanent 0.16 FTE and \$6,587 general fund reduction equivalent to the reductions taken in the 2005 legislative session.

IFD COMMENT	During the last session, the legislature reduced the agency's funding for personal services. DP-11 permanently eliminates funding, reducing the program's total FTE to 14.09.
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New Proposals

Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Library Sales Increase										
02	0.00	0	0	0	10,000 *	0.00	0	0	0	10,000 *
Total	0.00	\$0	\$0	\$0	\$10,000 *	0.00	\$0	\$0	\$0	\$10,000 *

DP 1 - Library Sales Increase - The Governor recommends authority to expend proprietary revenue in the library sales enterprise fund for operating costs such as microfilming, copy expenses, and various other expenses that occur in meeting the public's request for state records. The society collects fees for service from the public to meet the expenses of their (the public) requests.

**LFD
COMMENT**

This proposal continues the 2003 legislative efforts to have the society use proprietary funds rather than general fund for this service.

- The following list represents a sampling of fees charged:
- General or genealogy research time spent by staff on public requests: \$5 for Montana residents; \$20 for out-of-state
- Loan of microfilm records: \$10 per order out-of state; \$20 out-of-country
- Duplication: photocopying \$0.25 - \$0.75 per copy; map duplication \$2.50 - \$15.00 per map; Audio tape or CD \$7.50 - \$15.00
- Shipping and handling charges vary

Public requests for services from this program grew from 10,853 in FY 2002 to 13,332 in FY 2004. Staff projects requests to grow to 14,750 for FY 2006 and 15,500 for FY 2007 (or possibly more) as the public becomes more accustomed to using web technology for its historical research projects, and the Montana Historical Society appears in their internet searches.