

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	580,863	544,960	538,780	539,997	1,125,823	1,078,777	(47,046)	(4.18%)
Operating Expenses	243,542	314,929	309,791	288,748	558,471	598,539	40,068	7.17%
Grants	449,787	420,903	612,729	621,313	870,690	1,234,042	363,352	41.73%
Total Costs	\$1,274,192	\$1,280,792	\$1,461,300	\$1,450,058	\$2,554,984	\$2,911,358	\$356,374	13.95%
General Fund	465,294	463,194	454,845	445,255	928,488	900,100	(28,388)	(3.06%)
State Special	212,426	215,074	204,342	201,903	427,500	406,245	(21,255)	(4.97%)
Federal Special	596,472	602,524	802,113	802,900	1,198,996	1,605,013	406,017	33.86%
Total Funds	\$1,274,192	\$1,280,792	\$1,461,300	\$1,450,058	\$2,554,984	\$2,911,358	\$356,374	13.95%

Agency Description

Mission Statement: The Montana Arts Council is the agency of state government established to develop the creative potential of all Montanans, advance education, spur economic vibrancy and revitalize communities through involvement in the arts.

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA to assist public and private institutions with artistic and cultural activities. The council encourages participation in, and appreciation of, the arts. The council fosters interest in the state's cultural heritage, expands state cultural resources, and supports freedom of artistic expression through ongoing programs and projects. The council administers the Cultural and Aesthetic Project grants and other grants approved by the legislature, and makes recommendations to the legislature on arts related issues.

The Montana Arts Council provides these services through a structure consisting of one division with 7.00 FTE

Promotion of the Arts

Grants are funded through the general appropriations act and offered to schools, artists, and cultural organizations including Artists in Schools grants, Public Value Partnership Grants, and other grant programs. MAC also administers grants funded through the Cultural and Aesthetic Trust.

Programs and Services

MAC offers a variety of services to artists in Montana including an artist registry, an arts education hotline, a leadership institute, entrepreneurial initiatives, and other services.

Communication

MAC also offers a number of communication methodologies for those interested in additional information on the arts in Montana, including website services and the State of the Arts newspaper.

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Montana Arts Council budget increases 14% in the 2013 biennium due to an anticipated increase in its federal grant from the National Endowment for the Arts ◆ The executive continues the \$23,010 17-7-140, MCA, general fund reduction incurred by MAC in the 2011 biennium into the 2013 biennium ◆ Due to its small size, the executive exempts this agency from vacancy savings and the 4% personal services reduction applied to larger agencies ◆ As an agency with 20 or fewer FTE, MAC is exempt from the statutory requirement to submit a 5% reduction plan
Legislative Action Issues
<ul style="list-style-type: none"> ◆ The 2013 biennium executive budget proposes spending more from the cultural and aesthetic project account than the revenue to that account projected by the Revenue and Transportation Interim Committee will support

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium.
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

The following provides an update of the goals monitored by the LFC during the 2011 biennium.

The LFC monitored MAC's goal to provide access to high quality arts education in order to develop the full creative potential of all Montanans, and do so with a streamlined grant management system and strong web teaching tools.

Measurable objectives selected for this goal include:

- 60 community events are held in conjunction with arts education grant programs
- 4,000 community members benefitting from arts education grant programs
- 10% of enrolled K-12 students are served by the art education grant program
- 65% of counties in Montana are served through the art education grant program
- Database is 100% compatible with long-term grant management needs and completed by June 30, 2009

Success: MAC exceeded the outcome measures for arts education community events, number of community members benefitting from the events, percentage of enrolled K-12 students served by the arts education grant program, and the percentage of counties served.

2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The identified critical goals are:

- Provide access to high quality arts education in order to develop the full creative potential of all Montanans
- Promote economic vitality by utilizing technology to distribute resources and provide remote learning opportunities

Agency Overview

The MAC budget request increases \$356,000, or 14%, over the biennium compared to the 2011 biennium. Most of the growth is in the grants category and is driven by an anticipated 30% increase in federal funds from the National Endowment for the Arts. Operating expenses increase 7% in the 2013 biennium due to increased fixed costs, rent, minor equipment and postage. In addition to typical office-related operating costs, the MAC offers an array of services to Montana artists and art organizations, such as an artist registry and arts education hotline and the bimonthly newspaper, that are recorded as operating expenses. In addition, operating expenses related to administering the Cultural and Aesthetic grant program are included in the MAC budget. The Cultural and Aesthetic grants are included in an appropriations bill (usually HB 9) separate from the general appropriations bill. General fund is decreased \$28,000 in the 2013 biennium; most of this decrease is attributable to the executive budget recommendation to continue the 17-7-140, MCA \$23,010 reduction implemented in FY 2011 for this agency.

Other 5% Reduction

No table is included because statute exempts agencies with 20 or fewer FTE from the requirement to submit a 5% reduction plan.

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.

Program Funding Table							
Promotion Of The Arts							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013	
01000 Total General Fund	\$ 465,294	36.5%	\$ 454,845	31.1%	\$ 445,255	30.7%	
01100 General Fund	465,294	36.5%	454,845	31.1%	445,255	30.7%	
02000 Total State Special Funds	212,426	16.7%	204,342	14.0%	201,903	13.9%	
02009 Cultural And Aesthetic Project	212,426	16.7%	204,342	14.0%	201,903	13.9%	
03000 Total Federal Special Funds	596,472	46.8%	802,113	54.9%	802,900	55.4%	
03016 Nea Funds-Basic State Grant	541,472	42.5%	747,113	51.1%	747,900	51.6%	
03017 Nea Funds-Arts In Education	55,000	4.3%	55,000	3.8%	55,000	3.8%	
Grand Total	\$ 1,274,192	100.0%	\$ 1,461,300	100.0%	\$ 1,450,058	100.0%	

The agency is funded with a combination of general fund, state special revenue funds from the cultural and aesthetic project account, and federal funds from the National Endowment for the Arts. The federal funds require a dollar for dollar match with non-federal revenue. The agency uses general fund and its allocation from the cultural and aesthetic project account to match the federal grant. General fund supports a portion of the agency operations and funds arts grants including artists in the schools and MAC grants.

State special revenue is from the cultural and aesthetic project account, which receives interest earnings from a statutory trust. The trust receives distributions of coal severance tax. By statute, the interest from the cultural trust must be appropriated for protection of works of art in the State Capitol and other cultural and aesthetic projects (15-35-108, MCA). This account supports the Montana Arts Council's administration of the cultural and aesthetic trust activities and its Circle of American Masters (formerly Folklife) program, which promotes Montana's traditional and native arts and cultures. Cultural and aesthetic project funds are also appropriated to MAC for grants authorized in the cultural and aesthetic appropriation bill passed each biennium. In FY 2010, the legislature approved using 32.7% of the total

projected cultural and aesthetic project account revenue for MAC administration of the cultural and aesthetic grants and the folklife program. For the 2013 biennium, the executive recommends using 36.8% of the total projected revenue for administration.

**LFD
ISSUE**

Cultural and Aesthetic Project Account is Overspent

The 2013 biennium executive budget proposes biennial expenditures from the cultural and aesthetic project account totaling \$1,131,221 while revenues to the account are estimated by the Revenue and Transportation Interim Committee (RTIC) to total \$1,103,000, resulting in expenditures exceeding revenues by \$28,221, or 2.6% of projected revenue. The legislature may wish to reduce the number or amount of cultural and aesthetic grants, or reduce the amount allocated for administration of the cultural and aesthetic grants.

The cultural and aesthetic project account funds grants authorized in the cultural and aesthetic appropriation bill passed by the legislature each session (usually HB 9) and the costs incurred to administer the grants that are budgeted in HB 2. The Joint Appropriations Subcommittee on Long-Range Planning hears the budget proposal for the HB 9 grants and the Joint Appropriations Subcommittee on Education hears the budget proposal for the HB 2 administrative costs at the Montana Arts Council. The subcommittees may want to consult before making a final determination on reducing expenditures. Reducing grants would either reduce the number of grants funded, or the amount of the grants would be reduced. Reducing funding for administrative costs may impact the administration of the grants or cause other agency funds to be redirected to cultural and aesthetics grant administration, which could impact other agency programs.

Options:

- Reduce proposed grant expenditures, either by reducing the number of grants or reducing the amount of grants
- Reduce proposed administrative expenses
- Reduce both grant and administrative expenses
- Fund the executive budget as proposed

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	465,294	465,294	930,588	103.39%	1,274,192	1,274,192	2,548,384	87.53%
Statewide PL Adjustments	(7,871)	(16,771)	(24,642)	(2.74%)	(20,483)	(40,250)	(60,733)	(2.09%)
Other PL Adjustments	8,773	8,084	16,857	1.87%	14,149	14,090	28,239	0.97%
New Proposals	(11,351)	(11,352)	(22,703)	(2.52%)	193,442	202,026	395,468	13.58%
Total Budget	\$454,845	\$445,255	\$900,100		\$1,461,300	\$1,450,058	\$2,911,358	

Present Law Adjustments

The "Present Law Adjustments" table shows the 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.

Present Law Adjustments	-----Fiscal 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(42,083)					(40,866)
Inflation/Deflation					810					997
Fixed Costs					20,790					(381)
Total Statewide Present Law Adjustments		(\$7,871)	(\$9,643)	(\$2,969)	(\$20,483)		(\$16,771)	(\$12,301)	(\$11,178)	(\$40,250)
DP 102 - ARTS PRESENT LAW ADJUSTMENTS	0.00	8,773	1,559	3,817	14,149	0.00	8,084	1,778	4,228	14,090
Total Other Present Law Adjustments	0.00	\$8,773	\$1,559	\$3,817	\$14,149	0.00	\$8,084	\$1,778	\$4,228	\$14,090
Grand Total All Present Law Adjustments	0.00	\$902	(\$8,084)	\$848	(\$6,334)	0.00	(\$8,687)	(\$10,523)	(\$6,950)	(\$26,160)

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The agency does not utilize pay plan exceptions to address pay issues
- o **Program Specific Obstacles** - Employee retention is difficult due to higher salaries and room for advancement at larger state agencies. The most difficult position to keep filled is the accounting technician position
- o **Vacancy** – The agency did experience a vacancy in its accounting technician position during FY 2010
- o **Legislatively Applied Vacancy Savings** – Because it employs fewer than 20.0 FTE, MAC is exempt from the legislatively applied vacancy savings in the 2011 biennium
- o **Pay/Position Changes** – There were no unusual pay adjustments in FY 2010. Two part time positions were paid an average of 67% more hours than budgeted; however, the agency stayed within its legislative appropriation for its overall expenditures
- o **Retirements** – MAC has 4 employees eligible for retirement in the 2013 biennium. The total compensated absence liability for these employees was about \$53,000 as of October 2010

DP 102 – Arts Present Law Adjustments - The executive recommends funding of \$16,857 in general fund, \$3,337 in state special revenue, and \$8,045 in federal funds over the biennium for anticipated costs of increased office rent, computer replacement based upon a new five year schedule, and increased production and circulation costs for the agency's State of the Arts newspaper.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals											
Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 101 - FEDERAL FUNDS INCREASE											
01	0.00	0	0	204,793	204,793	0.00	0	0	213,378	213,378	
DP 55140 - GOVERNOR'S BUDGET REDUCTIONS											
01	0.00	(11,351)	0	0	(11,351)	0.00	(11,352)	0	0	(11,352)	
Total	0.00	(\$11,351)	\$0	\$204,793	\$193,442	0.00	(\$11,352)	\$0	\$213,378	\$202,026	

DP 101 – Federal Funds Increase - The executive increases federal authority over \$200,000 each year for anticipated additional federal funds from the National Endowment for the Arts for use primarily in rural Montana and in key arts education programs that help teachers meet state arts standards, in addition to projects geared to saving Montana’s heritage in the traditional arts area. These funds would be utilized for grants and programs to benefit all Montanans.

DP 55140 – Governor’s Budget Reductions - The executive budget continues the reduction ordered by the Governor under 17-7-140, MCA for FY 2011 into the 2013 biennium.

LFD COMMENT	The 17-7-140, MCA, reductions taken in the 2011 biennium for this agency totaled \$23,010. The entire reduction was taken in FY 2011. The executive considered the 17-7-140, MCA, reduction a biennial reduction and proposes reducing base expenditures from the general fund for this agency by \$11,505 each year of the 2013 biennium. This reduction would make fewer funds available for the Leadership Institute Online Program, which provides online business management training and resources and governing board leadership training to local arts organizations.
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