

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 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.83	59.83	60.83	60.83	59.83	60.83	1.00	1.67%
Personal Services	3,027,304	3,133,626	3,213,606	3,214,410	6,160,930	6,428,016	267,086	4.34%
Operating Expenses	1,509,535	1,843,501	1,850,435	1,744,093	3,353,036	3,594,528	241,492	7.20%
Equipment & Intangible Assets	55,361	7,159	361,054	163,605	62,520	524,659	462,139	739.19%
Grants	87,120	88,389	87,120	87,120	175,509	174,240	(1,269)	(0.72%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$4,679,320	\$5,072,675	\$5,512,215	\$5,209,228	\$9,751,995	\$10,721,443	\$969,448	9.94%
General Fund	2,824,649	2,934,256	3,466,155	3,162,942	5,758,905	6,629,097	870,192	15.11%
State Special	552,247	581,831	713,159	713,056	1,134,078	1,426,215	292,137	25.76%
Federal Special	752,392	765,318	730,154	729,677	1,517,710	1,459,831	(57,879)	(3.81%)
Other	550,032	791,270	602,747	603,553	1,341,302	1,206,300	(135,002)	(10.06%)
Total Funds	\$4,679,320	\$5,072,675	\$5,512,215	\$5,209,228	\$9,751,995	\$10,721,443	\$969,448	9.94%

Mission Statement

To acquire, conserve, and advocate the protection of, provide broad access to, and interpret Montana's varied historical resources, thus promoting--for its citizens and for all others--the use, understanding, appreciation, and enjoyment of those resources. For additional information, please refer to the agency profile.

Agency Highlights

Montana Historical Society Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor’s proposal would increase this agency’s budget by 10%, largely due to: <ul style="list-style-type: none"> • Four new budget proposals, one that adds a permanent FTE and two proposals that are one-time-only • Increased historical interpretation expenses funded from the lodging facility use tax • Personal services increases resulting from pay adjustments implemented in FY 2012 • Vacancy savings in the base year of 7% compared to the budgeted 4% ◆ The executive would replace declining agency-generated revenue with state general fund ◆ The budget increase would be funded primarily from the general fund and the accommodations tax
Legislative Action Issues
<ul style="list-style-type: none"> ◆ The agency’s proprietary funds need to be reviewed as revenues are declining and the executive budget proposes backfilling the reduced revenues with state general fund

Agency Discussion

Agency Personal Services Narrative

The agency implemented pay increases mid-way through FY 2012, at an annual cost of approximately \$22,000. The average base pay increase was approximately 1.3%. Compared to the 2012 market survey, employees at the Montana Historical Society are, on average, paid at 82% of the market.

The executive budget would fund the 2012 pay increases in the 2015 biennium primarily from the general fund, with the proprietary fund also supporting pay increases.

The 2011 Legislature applied 4% vacancy savings to the personal services budget for this agency for the 2013 biennium. The agency actually accrued more vacancy savings than budgeted. In terms of hours budgeted, the agency realized 9.5% vacancy savings. In terms of dollars budgeted, the agency realized 7.4% vacancy savings. This indicates that at least a portion of the FY 2012 pay adjustment was likely funded from the “excess” vacancy savings.

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency.

Increase Accommodations Tax Appropriation for Higher Projected Revenue - The executive budget estimates that the lodging facility use tax revenue will increase in the 2015 biennium and would use the agency’s portion of the biennial increase, approximately \$306,000, to fund more historical interpretation and Scriver collection activities.

LFD COMMENT

The proposed budget expansion funded from the accommodations tax is presented as a present law adjustment but should be classified as a new proposal. Section 17-7-102, MCA states: “For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.”

The adjustments proposed by the executive are not supported by a constitutional or statutory requirement for the proposed expenditure. Consequently, the requested budget increases should be classified as new proposals.

Professional Development Center Training Fee Allocation - The executive requests a \$2,100 per year agency-wide increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

New Proposals

In addition to the new proposal for the professional development center training fee discussed in the previous section, the executive budget contains three additional new proposals listed below, each of which would be funded from state general fund”

- Security Guard Supervisor FTE – 1.00 FTE and \$116,633 biennial increase would be added as an ongoing expenditure
- Research Program Shelving -- \$402,000 as a restricted, biennial, one-time-only appropriation
- Original Governor’s Mansion Repair -- \$97,000 as a restricted, biennial, one-time-only appropriation

5% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined by the agency to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding. However, nothing in this agency has come to the attention of the LFD that warrants further discussion.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Montana Historical Society Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$6,629,097	\$0	\$0	\$6,629,097	59.8%
State Special Total	1,426,215	-	369,054	1,795,269	16.2%
Federal Special Total	1,459,831	-	-	1,459,831	13.2%
Proprietary Total	1,206,300	-	-	1,206,300	10.9%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$10,721,443	\$0	\$369,054	\$11,090,497	
Percent - Total All Sources	96.7%	0.0%	3.3%		

General fund is the primary funding source for this agency.

State special revenue includes:

- Donations to the Society and the Original Governor’s Mansion
- An allocation of the lodging facility use tax

The 2011 Legislature passed HB 477, which permanently allocates, in statute, 2.6% of the lodging facility use tax for historical interpretation and Scriver collection costs to the Montana Historical Society (MHS). Statute requires these funds for the MHS to be appropriated by the legislature each session rather than appropriated via a statutory appropriation. The 2011 Legislature appropriated \$967,285 from the lodging facility use tax for the 2013 biennium and the executive budget would increase the funding from this tax to \$1,273,548 for the 2015 biennium, along with a concurrent expenditure increase.

Proprietary funds for the agency are derived from the sale of documents and merchandise, charges for services, rental of lobby and galleries for receptions, and magazine advertising. Proprietary funds are budgeted to decline when compared on a biennial basis. Actual proprietary fund revenues are significantly less than the budgeted amount in the base year and are not projected to reach FY 2013 appropriated levels in either FY 2014 or FY 2015.

**LFD
ISSUE**
Agency-generated Revenues Are Declining – Executive Budget Proposes General Fund Backfill

This issue identifies a funding change proposed in the Governor's 2015 biennium budget that would shift agency funding from proprietary funds to general fund when compared to how the 2011 Legislature funded the agency in the 2013 biennium. The question for the legislature is whether it wants to approve the funding shift and allow the agency to operate at current operational levels, or if it wants to evaluate its priority for continuing or increasing the general fund share of costs for this agency

Background

The Montana Historical Society was originally organized in 1865 while Montana was still a territory. In 1891 the Montana Legislature provided its first appropriation to the society. In time the state legislature also enacted governing statutes that grants the authority to the society's board of trustees to generate revenue from publication sales and other museum or art objects and use the money for the operation of the society and for the acquisition of historical materials. Statute also allows the board of trustees to set the society membership fees. So, while the legislature has provided, and will likely continue to provide, state funds for the operation of the society, it also anticipates the society will generate revenue for the operation of the society.

Proprietary fund revenues for the Montana Historical Society have declined significantly in recent years. For the 10-year period between FY 2003 and FY 2012, proprietary fund revenues have declined 34%, from \$1.02 million to \$0.67 million. Over the same time period, general fund expenditures for the agency increased 65% and total expenditures increased 42%.

The agency indicated that proprietary revenues were higher in the early 2000's due to increased tourism related to the Lewis and Clark Bicentennial. Additionally, the agency indicated that proprietary revenues have been negatively impacted by the national economy in recent years, as the Montana tourism industry suffered the effects of the national recession. On a positive note, the agency anticipates improvement in proprietary revenue in the future due to anticipated improvement in the economy and management changes within the agency providing more oversight of revenue generating activities.

2015 Biennium Executive Budget

The 2011 Legislature funded the 2013 biennium budget for the Montana Historical Society with 58% general fund, 16% proprietary funds, and 26% state/federal special revenue. The executive present law budget would shift funding primarily from the proprietary fund to the general fund, resulting in 61% general fund, 12% proprietary funds, and 27% state/federal special revenue. The biennial impact of this funding shift is a \$284,000 increase in state general fund and a similar decrease in the proprietary fund.

LFD ISSUE CONT.	<p>The question for the legislature is whether it wants to approve the funding shift and allow the agency to operate at current operational levels, or if it wants to evaluate its priority for continuing or increasing the general fund share of costs for this agency? Some options for addressing this question are:</p> <ul style="list-style-type: none"> ○ Option 1: Accept the governor’s recommendation as proposed ○ Option 2: Approve the governor’s proposed budget, but earmark \$284,000 of the general fund appropriation as a one-time-only appropriation so the additional general fund does not become part of the budget base for the 2015 biennium budget. This would allow two years for the proprietary fund revenue to improve and allow the 2015 Legislature to reevaluate the sustainability of the proprietary funds for the future ○ Option 3: Adjust the agency funding to reflect the percentage of general fund and proprietary fund for the 2013 budget as approved by the 2011 Legislature ○ Option 4: Adjust the agency funding to a different general fund and proprietary fund percentage and require the agency to either generate sufficient revenues to meet the budget or submit a budget for the 2017 biennium that does not replace proprietary funds with general fund.
----------------------------	---

Statutory Appropriations

The Montana Historical Society has two statutory appropriations that support specific programs:

- The agency receives a 1% allocation from the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
- The agency receives 25% of the revenue from the sales of Lewis & Clark bicentennial license plates for projects related to Lewis & Clark

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 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,824,649	2,824,649	5,649,298	85.22%	4,679,320	4,679,320	9,358,640	87.29%
Statewide PL Adjustments	206,902	149,774	356,676	5.38%	247,556	190,654	438,210	4.09%
Other PL Adjustments	0	0	0	0.00%	150,000	150,000	300,000	2.80%
New Proposals	434,604	188,519	623,123	9.40%	435,339	189,254	624,593	5.83%
Total Budget	\$3,466,155	\$3,162,942	\$6,629,097		\$5,512,215	\$5,209,228	\$10,721,443	