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	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	505,301	544,373	595,624	596,717	1,049,674	1,192,341	142,667	13.59%
Operating Expenses	335,429	291,442	345,801	317,935	626,871	663,736	36,865	5.88%
Grants	462,238	772,840	554,238	554,238	1,235,078	1,108,476	(126,602)	(10.25%)
Total Costs	**$1,302,968**	**$1,608,655**	**$1,495,663**	**$1,468,890**	**$2,911,623**	**$2,964,553**	**$52,930**	**1.82%**
General Fund	451,284	448,088	578,159	568,886	899,372	1,147,045	247,673	27.54%
State Special	204,321	201,903	220,111	215,913	406,224	436,024	29,800	7.34%
Federal Special	647,363	958,664	697,393	684,091	1,606,027	1,381,484	(224,543)	(13.98%)
Total Funds	**$1,302,968**	**$1,608,655**	**$1,495,663**	**$1,468,890**	**$2,911,623**	**$2,964,553**	**$52,930**	**1.82%**

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.

For additional information please refer to the agency profile.

Agency Highlights

Montana Arts Council
Major Budget Highlights

- The proposed executive budget increases slightly overall in the 2015 biennium compared to the 2013 biennium. However, some of the budget line items and funding sources show significant changes between the biennia:
  - Personal services expenditures would increase 14% as a result of FY 2012 and FY 2013 pay increases continued into the 2015 biennium
  - General fund would increase 28%, funding a new proposal for Arts Education in rural schools and a portion of the increased personal services costs
  - Federal funds are projected to decrease in the 2015 biennium and are subject to sequestration

Agency Personal Services

Personal services costs increase 14% in the 2015 biennium due to the following:

- Pay adjustments applied to 7 of 8 positions, for an overall 11% increase in base pay
- Benefit increases related to base pay increases
- Fully funding a position that was vacant for a portion of the base year

The executive budget does not apply vacancy savings to this agency due to its small size.

5% Plans

Statute requires that agencies with more than 20 FTE submit plans to reduce general fund and certain state special revenue funds by 5%. Because this agency has fewer than 20 FTE, it is not required to submit a 5% plan.

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 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.

Total Montana Arts Council Funding by Source of Authority
2015 Biennium Budget - Promotion Of The Arts

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	**$1,147,045**	**$0**	**$0**	**$1,147,045**	38.7%		
State Special Total	**$436,024**	**$0**	**$0**	**$436,024**	14.7%		
02009 Cultural And Aesthetic Project	436,024	-	-	436,024	14.7%		
Federal Special Total	**$1,381,484**	**$0**	**$0**	**$1,381,484**	46.6%		
03016 Nea Funds-basic State Grant	1,271,484	-	-	1,271,484	42.9%		
03017 Nea Funds-arts In Education	110,000	-	-	110,000	3.7%		
Total All Funds	**$2,964,553**	**$0**	**$0**	**$2,964,553**	100.0%		
Percent - Total All Sources	**100.0%**	**0.0%**	**0.0%**				

General fund supports:

- A portion of the agency operations and services to the state's arts community
- Arts grants including artists in the schools and several other grant programs available to non-profit arts organizations, schools, and other entities

State special revenue includes proceeds from the cultural and aesthetic project account. This account:

- Receives interest earnings from a statutory trust account that is funded from a 0.63% distribution from the coal severance tax
- Must be used for protection of works of art in the State Capitol and other cultural and aesthetic projects
- Supports the agency's administration of the cultural and aesthetic trust activities and its Circle of American Masters program, which promotes Montana's traditional and native arts and cultures

Federal funds come from the National Endowment for the Arts. These federal funds:

- Will be subject to sequestration (See NP 51141 for replacement funding included in the executive budget)
- Are formula grants from the federal agency rather than competitive grants
- 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
- Are used for agency administration, grants, and services to the state's arts community

LFD COMMENT

The following table presents the 2015 biennium fund analysis for the cultural and aesthetic project account. This table shows the allocation of funds between cultural and aesthetic projects and administrative costs. This account appears to be structurally balanced through FY 2015.

Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection, 2015 Biennium		
Estimated Beginning Fund Balance (7/1/2013)		$53,008
Revenue Projections[1]		
FY 2014 Interest Earnings	$593,000	
FY 2015 Interest Earnings	609,000	
2015 Biennium Revenues		$1,202,000
Proposed Expenditures		
MAC Administration[2]	($298,738)	
Folklife[2]	(137,286)	
Capitol Complex Works of Art	(30,000)	
Grants[3]	(533,976)	
Total Expenditures		($1,000,000)
Estimated Ending Fund Balance (6/30/2015)		$255,008

[1] LFD estimates
[2] Executive general appropriations act proposal
[3] Executive grant proposal

Budget Summary by Category

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	451,284	451,284	902,568	78.69%	1,302,968	1,302,968	2,605,936	87.90%
Statewide PL Adjustments	36,158	29,376	65,534	5.71%	104,397	84,816	189,213	6.38%
Other PL Adjustments	(1,276)	(3,767)	(5,043)	(0.44%)	(3,683)	(10,875)	(14,558)	(0.49%)
New Proposals	91,993	91,993	183,986	16.04%	91,981	91,981	183,962	6.21%
Total Budget	**$578,159**	**$568,886**	**$1,147,045**		**$1,495,663**	**$1,468,890**	**$2,964,553**	

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 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					90,323					91,416
Inflation/Deflation					737					1,369
Fixed Costs					13,337					(7,969)
Total Statewide Present Law Adjustments		**$36,158**	**$16,371**	**$51,868**	**$104,397**		**$29,376**	**$13,300**	**$42,140**	**$84,816**
DP 51142 - ADJ FOR RENT, NEWSPAPER, COMPUTERS, SOFTWARE	0.00	(1,276)	(578)	(1,829)	(3,683)	0.00	(3,767)	(1,705)	(5,403)	(10,875)
Total Other Present Law Adjustments	**0.00**	**($1,276)**	**($578)**	**($1,829)**	**($3,683)**	**0.00**	**($3,767)**	**($1,705)**	**($5,403)**	**($10,875)**
Grand Total All Present Law Adjustments	**0.00**	**$34,882**	**$15,793**	**$50,039**	**$100,714**	**0.00**	**$25,609**	**$11,595**	**$36,737**	**$73,941**

DP 51142 – Adj for Rent, Newspaper, Computers, Software- - The executive budget includes reductions for one time only operating costs and increases for building lease and State of the Arts newspaper production and circulation costs.

New Proposals

New Proposals	Fiscal 2014					Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51141 - RURAL ARTS-BASED ED STABILIZATION FUNDING OTO										
01	0.00	92,000	0	0	92,000	0.00	92,000	0	0	92,000
DP 51143 - NP 6101 PDC FIXED COST										
01	0.00	(7)	(3)	(9)	(19)	0.00	(7)	(3)	(9)	(19)
Total	**0.00**	**$91,993**	**($3)**	**($9)**	**$91,981**	**0.00**	**$91,993**	**($3)**	**($9)**	**$91,981**

DP 51141 - RURAL ARTS-BASED ED STABILIZATION FUNDING OTO – The executive budget proposes to add $184,000 general fund in OTO funding to stabilize the agency's rural arts-based education program that is partially funded with federal funds that are subject to the sequestration required by the Budget Control Act of 2011.

LFD COMMENT

In FY 2012, the agency spent $153,400 on the arts education program, funded 22% from state general fund and 78% from federal funds. If this new proposal is approved, the funding mix would shift to 83% general fund and 17% federal funds, assuming the same program expenditure as FY 2012.

The legislature may wish to request an update on the status of the sequestration of federal funds before it takes action on this decision package and/or establishes the appropriation for this agency.

DP 51143 - NP 6101 PDC FIXED COST - NP- 6101 - The executive requests an 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.