

CULTURAL AND AESTHETIC GRANT PROGRAM

Program Description

The Cultural and Aesthetic Grant Program (C&A), as provided in Title 22, Chapter 2, part 3, MCA, is administered by the Montana Arts Council (MAC). Interest earnings from a statutory trust, which receives coal severance tax revenues, fund the grant program. By statute, the interest from the cultural trust is to be appropriated for the protection of works of art in the State Capitol and other cultural and aesthetic (C&A) projects, 15-35-108, MCA.

Grant applications for cultural and aesthetic projects are submitted to the MAC on a biennial basis. Eligible applicants include the state of Montana and regional, county, city, town, or Indian tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the executive budget. All grants require legislative approval in accordance with 22-2-306 through 309, MCA.

Program Budget Comparison

The following table summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Program Comparison - Cultural and Aesthetic Trust				
Budget Item	Budget 2013 Biennium	Budget 2015 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$12,132,000	\$12,877,000	\$745,000	6.1%
Trust Earnings	1,148,049	1,202,000	53,951	4.7%
Number of Grants	83	70	(13)	-15.7%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$666,229	\$533,976	(\$132,253)	-19.9%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
Total Costs	\$696,229	\$563,976	(\$132,253)	-19.0%
State Special	\$696,229	\$563,976	(\$132,253)	-19.0%
Total Funds	\$696,229	\$563,976	(\$132,253)	-19.0%

Program Narrative

The executive recommendation for C&A grants will be introduced in HB 9. The first C&A priority recommended for funding is a \$30,000 appropriation to the Montana Historical Society for the care and conservation of capitol complex artwork, in accordance with 2-17-805, MCA. The second priority is 70 C&A grant awards totaling \$533,976. The recommended awards are prioritized within four categories, which include Special Projects costing \$4,500 or less, Special Projects greater than \$4,500, Operational Support Projects, and Capital Expenditure Projects. In the 2015 biennium there are no projects recommended in the fifth, "Challenge Grant", category. A complete list of the requested and recommended grants may be seen in Figure F.5 of the Section F appendix.

Funding

Funding for the C&A program comes from the interest earnings from the cultural trust. The trust receives a statutorily dedicated 0.63% of coal severance tax revenues. At the end of the 2013 biennium, the cultural trust

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balance is projected to be approximately \$12.1 million, and the balance is expected to grow by approximately \$745,000 during the 2015 biennium.

The figure to the right shows the projected balance of the C&A state special fund for the 2015 biennium. The fund is expected to begin the 2015 biennium with a fund balance of \$53,008, which results from higher than anticipated interest earnings in the 2013 biennium. The estimates, provided by the Legislative Fiscal Division (LFD), include interest earnings of \$1.2 million for the 2015 biennium. Expenditures for the C&A program are limited by the amount of interest earned from the trust investments. The executive budget proposal includes appropriations of \$298,738 for administrative expenses and \$137,286 for the Folklife program (as appropriated in the general appropriations act). In the 2015 biennium, program administration costs are almost 24.9% of the total program revenues. Program expenditures also include \$30,000 for a statutorily required appropriation for capitol complex works of art, and grant funding proposals of \$533,976.

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	<u>609,000</u>
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	<u>(533,976)</u>
Total Expenditures	(\$1,000,000)
Estimated Ending Fund Balance (6/30/2015)	<u>\$255,008</u>
¹ LFD estimates	
² Executive proposal (HB 2)	
³ Executive proposal (HB 9)	

LFD COMMENT

In past biennia, the C&A grant program has experienced interest earnings that have not kept pace with legislative appropriations. When revenue shortfalls occur, language contained in the C&A appropriation bill has provided for a reduction of grants, those awards greater than \$4,500, on a pro-rata basis. While some grant recipients are able to absorb the lower grant terms, in a number of cases program plans for the grant dollars are established and irreversible, causing financial harm to the recipient. To mitigate the negative effects of interest income shortfalls, past legislatures have allowed an ending fund balance in the C&A grants fund. With the grant proposals of the 2015 biennium, there is an excess fund balance equal to 47.8% of the grant recommendations.