Agency Budget Comparison

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

Agency Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	506,369	557,017	534,422	538,163	1,063,386	1,072,585	9,199	0.87%
Operating Expenses	322,558	240,170	375,454	315,253	562,728	690,707	127,979	22.74%
Grants	420,903	499,973	424,783	430,332	920,876	855,115	(65,761)	(7.14%)
Total Costs	**$1,249,830**	**$1,297,160**	**$1,334,659**	**$1,283,748**	**$2,546,990**	**$2,618,407**	**$71,417**	**2.80%**
General Fund	467,889	459,035	500,741	475,558	926,924	976,299	49,375	5.33%
State Special	204,517	214,756	218,080	211,705	419,273	429,785	10,512	2.51%
Federal Special	577,424	623,369	615,838	596,485	1,200,793	1,212,323	11,530	0.96%
Total Funds	**$1,249,830**	**$1,297,160**	**$1,334,659**	**$1,283,748**	**$2,546,990**	**$2,618,407**	**$71,417**	**2.80%**

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.

Agency Highlights

Montana Arts Council
Major Budget Highlights

- Of the 2.7 percent increase from biennium to biennium, 75 percent is due to new proposals. The executive proposes new funding for:
  - Artists in schools and communities grants
  - Database and e-grant projects

Major LFD Issues

- Personal services costs continue to exceed budgeted legislative authority
- MAC does not have specific, measurable, or time-bound objectives for its goals in the 2011 biennium

Agency Discussion

The executive proposes program increases of 13.8 percent for MAC when compared to the 2009 biennium. Approximately 16.3 percent of the increases are due to present law adjustments for personal services, fixed costs, and per diem travel for the Montana Arts Council. New proposals make up about 84 percent of the increase. They include:

- Artists in schools and communities grants
- Administrative federal grant support staff
- Database and e-grant funding

Figure 1 shows the difference between actual expenditures and the appropriations budgeted in FY 2008.

Figure 1
Montana Arts Council
Budget to Actual Comparison
FY 2008

	Budgeted	Actual	% Change
Personal Services	$481,131	$506,369	5.25%
Operating Expenses	389,350	322,558	-17.15%
Grants	459,188	420,903	-8.34%
Total	$1,329,669	$1,249,830	-6%

As can be seen in Figure 1, while overall costs were 6 percent lower than budgeted, personal services costs were 5.3 percent higher than budgeted, while both operating expenses and grants declined.

LFD ISSUE

Personal services costs continue to exceed budgeted legislative authority

In FY 2008, personal service costs for MAC exceeded legislatively appropriated amounts by $39,430 or 7.9 percent.

MAC personal service costs have exceeded the appropriation for the previous three fiscal years. The following table illustrates:

Figure 2
Montana Arts Council
Personal Service Costs

	Budgeted Legislative Appropriations	Actual Personal Service Costs	Above Budgeted Amounts	Percent Increase In Actuals
FY 2006	$444,498	$457,628	($13,130)	
FY 2007	$463,774	$487,006	($23,232)	6.42%
FY 2008	$496,850	$536,280	($39,430)	10.12%

The Montana Arts Council funded the increases internally and through the personal services contingency account. The following shows personal services contingency account transfers to MAC for FY 2006, 2007, and 2008.

Figure 3
Montana Arts Council
Personal Services Contingency Transfers

FY 2006	$4,776
FY 2007	$20,867
FY 2008	$20,350

Please note that the personal services contingency account is frequently accessed by agencies that cannot meet their legislatively mandated 4 percent vacancy savings, or to pay unexpected or unbudgeted expenditures such as retirements or other payouts. However, MAC is not assessed the four percent vacancy savings and did not have payouts in any year that exceeded the amount of the over expenditure. Rather, the over expenditure was primarily due to actions taken by the MAC.

Legislative appropriations for personal services includes funding for:
- Salaries and benefits, including longevity increases
- Health insurance
- Cost of living increases approved in the pay plan

Statute also allows agencies to make a number of other changes, including hiring additional modified FTE; and adjusting salaries for market, promotions, and other considerations. MAC took the following actions that increased personal services costs:
- Granted strategic pay increases to retain staff – FY 2008 impact of costs $9,183
- Granted discretionary pay to progress position to market – FY 2008 impact of costs $2,744
- Hired 2.00 modified FTE and temporaries – FY 2008 impact of costs $18,859

22-2-105, MCA allows the Montana Arts Council to employ administrative officers and other employees as may be needed. However, the statute specifically states that the council is to fix their compensation within the amounts made available for such purposes. The amounts approved in the legislatively appropriated budget would be considered the amount made available for personal services.

Option:
Given its trend of continually over-expending personal services appropriations, the legislature may wish to request a written plan from the Montana Arts Council outlining how it will stay within personal service appropriations for its 7.00 FTE in the 2011 biennium.

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 Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

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

Challenges

The art education grant program expended or accrued $116,338 in FY 2008. Reports on the use of the grants for FY 2008 were to be sent to MAC by the end of September. MAC reported to the June LFC that they would have the data analyzed by the end of October. As of October 23, 2008 the report is not completed and MAC officials state it will be another 2 months before they are able to provide information on the FY 2008 program.

2011 Biennium Major Goals

MAC is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals are:

- All Montanans, regardless of potential barriers they face, will find access to arts education opportunities that contribute to life-long learning and create expression
- All Montana K-12 students have the opportunity to study a curriculum that enables them to achieve the Montana Board of Public Education's (BPE) standards for arts, thereby providing all the arts for all the students in all the schools
- Provide or help link artists, artisans, arts educators and arts organization staff and boards to professional development and collaboration opportunities that help them build healthy careers and businesses wherever they happen to live in Montana
- Build new markets, exposure, and participation opportunities for Montana artists, artisans, and arts organizations of all cultures by enhancing marketing outlets and resources, improving exhibition and performance opportunities, promotion, and sales venues

LFD ISSUE

MAC does not have specific, measurable, or time-bound objectives for its goals in the 2011 biennium. For example, to measure the goal that all Montana K-12 students will have the opportunity to study a curriculum that enables them to achieve the Montana BPE's standards for arts MAC includes the following objectives:

- Provide technical assistance on curriculum development, assessment tools and resources in person, by telephone, and on our website
- Organize workshops for teachers and teaching artists in assessment, lesson planning, classroom management, and integration of the arts with other subjects
- Offer grants to develop arts curriculum, assessment, professional development, and artist residences
- Provide leadership in advocating for all arts for all the students in all the schools through agency representation

on statewide boards and collaborating with other state agencies and state/national arts organizations

None of the objectives are time-bound and none include specific measurable targets. While the goal discusses the BPE standards for arts, none of the measurable objectives include the percentage of schools meeting the BPE standards. The Office of Public Instruction determines the accreditation status of all public schools in Montana each year. The report on accreditation could be used to determine how many schools are not currently meeting the standard and which, if any, of these schools has received MAC arts education grants.

In addition, as of October 2008, MAC has been unable to provide information to the legislature on performance measurements selected to measure the success of their goal to provide K-12 students with the opportunity to study a curriculum that enables them to achieve the BPE standards for arts in the 2009 biennium.

The executive is proposing an additional $13,309 in general fund to support the art education grant program and $40,320 total funds for additions to the database, which was considered a part of the program during the 2009 biennium. The Legislative Finance Committee Education Subcommittee recommends that, as part of its budget deliberations during the 2009 legislative session, the Joint Appropriations Subcommittee on Education:

1. Discuss MAC's goal of providing access to high quality arts education; and
2. Require MAC to report on the specific measures selected for the 2009 interim.

As the agency is required by statute to provide objectives sufficiently specific that the legislature can base appropriation decisions on them, the legislature may wish to discuss with MAC how it can provide specific, measurable, time-bound objectives so that they can be measured. The legislature may also wish to request MAC provide a report on the specific measurements requested by the LFC during the 2009 interim.

Funding

The following table summarizes the funding for the agency, by program and source, as recommended by the Governor.

Program Funding Table
Promotion Of The Arts

Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	$ 467,889	37.4%	$ 500,741	37.5%	$ 475,558	37.0%
	01100 General Fund	467,889	37.4%	500,741	37.5%	475,558	37.0%
02000	Total State Special Funds	204,517	16.4%	218,080	16.3%	211,705	16.5%
	02009 Cultural And Aesthetic Project	204,517	16.4%	218,080	16.3%	211,705	16.5%
03000	Total Federal Special Funds	577,424	46.2%	615,838	46.1%	596,485	46.5%
	03016 Nea Funds-Basic State Grant	523,425	41.9%	560,838	42.0%	541,485	42.2%
	03017 Nea Funds-Arts In Education	53,999	4.3%	55,000	4.1%	55,000	4.3%
Grand	Total	$ 1,249,830	100.0%	$ 1,334,659	100.0%	$ 1,283,748	100.0%

The agency is funded with a combination of general fund, state special revenue funds from cultural and aesthetic trust fund interest earnings, and federal funds from the National Endowment for the Arts.

The coal severance tax fund shared account supports the Montana Arts Council's administration of the cultural and aesthetic trust activities and its Folklife Program, which promotes Montana's traditional and native arts and cultures. Interest earnings from the corpus of the cultural trust support the Cultural and Aesthetic Program projects and are appropriated to both MAC and other art organizations and projects around the state. MAC administers the grants and makes recommendations to the Long Range Building Program on grant appropriations. In FY 2008, the legislature approved using 36.5 percent of the total appropriation for the Cultural and Aesthetic Program for MAC administration and the Folklife Program. During the 2011 biennium, the executive request for the administration and Folklife Program included in the general appropriations act is 32.5 percent of the total biennial revenue available for appropriation for Cultural and Aesthetic Trust grants.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	467,889	467,889	935,778	95.85%	1,249,830	1,249,830	2,499,660	95.46%
Statewide PL Adjustments	10,784	(41)	10,743	1.10%	35,926	15,466	51,392	1.96%
Other PL Adjustments	(2,277)	(1,844)	(4,121)	(0.42%)	4,318	8,689	13,007	0.50%
New Proposals	24,345	9,554	33,899	3.47%	44,585	9,763	54,348	2.08%
Total Budget	**$500,741**	**$475,558**	**$976,299**		**$1,334,659**	**$1,283,748**	**$2,618,407**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					23,853					24,394
Inflation/Deflation					1,660					1,915
Fixed Costs					10,413					(10,843)
Total Statewide Present Law Adjustments					**$35,926**					**$15,466**
DP 5 - Present Law Adjustments	0.00	3,873	1,675	4,920	10,468	0.00	4,306	5,062	5,471	14,839
DP 7 - Remove Telephone Move Charges	0.00	(6,150)	0	0	(6,150)	0.00	(6,150)	0	0	(6,150)
Total Other Present Law Adjustments	**0.00**	**($2,277)**	**$1,675**	**$4,920**	**$4,318**	**0.00**	**($1,844)**	**$5,062**	**$5,471**	**$8,689**
Grand Total All Present Law Adjustments					**$40,244**					**$24,155**

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 for brevity by the LFD.

- **Market Rate** – MAC agency market ratio at June 30, 2008 was 115 percent of market relative to the 2006 market survey. At October 1, 2008, after implementing the HB 13 pay adjustments, the agency market ratio was 91 percent relative to the 2008 market survey
- **Vacancy** – MAC last had a vacant position in FY 2001
- **Legislatively applied vacancy savings** – Because it employs fewer than 20.0 FTE, MAC is exempt from the legislatively applied vacancy savings in the 2009 biennium
- **Pay Changes** – According to MAC, pay changes outside of HB 13 were funded using federal funds in FY 2009. MAC used the 0.6 percent funding in HB 13 to bring two staff closer to the target market ratio

LFD COMMENT

It should be noted that if federal funds are not awarded at the FY 2009 levels during the 2011 biennium, the increases will need to be funded from either state special revenues or general fund

LFD ISSUE

Personal services increases partially funded using personal service contingency funds
Refer to LFD issue in the Agency Discussion section.

- **Retirements** – MAC has 4 employees or 57 percent of its workforce eligible for retirement in the 2011 biennium. The total compensated absence liability for these employees was about $16,800 as of October 2008.

DP 5 - Present Law Adjustments - The executive recommends funding of $8,179 in general fund, $6,737 in state special revenue, and $10,391 in federal funds over the biennium for anticipated costs of per diem for the council, legal fees, and rent increases.

DP 7 - Remove Telephone Move Charges - Arts Council moved from the City County Building into a private building rented by the Department of Administration in FY 2008. The move created a one-time-only charge of $6,150 for telephone moving charges. Historically the council has had no expenditures for telephone add/move/change.

New Proposals

New Proposals	Fiscal 2010						Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - AISC Residencies										
01	0.00	3,880	0	0	3,880	0.00	9,429	0	0	9,429
DP 4 - Database and E-Grant - OTO										
01	0.00	20,320	5,000	15,000	40,320	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Pgm										
01	0.00	145	63	177	385	0.00	125	55	154	334
Total	**0.00**	**$24,345**	**$5,063**	**$15,177**	**$44,585**	**0.00**	**$9,554**	**$55**	**$154**	**$9,763**

DP 1 - AISC Residencies - The executive is requesting $3,880 in FY 2010 and $9,429 in FY 2011 for the Artists in Schools and Communities Grant Program (AISC). These programs fund schools and community arts organizations, especially rural Montana communities, to hire teaching artists who provide educational experiences in the arts that address the public schools state art standards. These funds will be matched on a 1:1 basis within the community.

DP 4 - Database and E-Grant - OTO - The Arts Council requests OTO funding for the database and e-grant project costing $40,320 in the 2011 biennium for 480 hours of development at $84 per hour. The e-grants program will be designed to fully integrate into MAC's database and produce significant simplification and streamlining for staff and grantees.

DP 6101 - Fixed Cost Workers Comp Mgmt Pgm - The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

Language and Statutory Authority

The executive recommends the following language for inclusion in HB 2.
"All federal funds in [Montana Arts Council] are biennial appropriations."