

Wm. E. Boharski

House BILL NO. 456

INTRODUCED BY

Wells *McE...* *Walters* *Clark* *Feland* *ORF*

A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING STATE FUNDING FOR ART; ELIMINATING THE MONTANA ARTS COUNCIL AND THE CULTURAL AND AESTHETICS PROJECTS ADVISORY COUNCIL; ELIMINATING CULTURAL AND AESTHETIC PROJECT GRANTS; ELIMINATING THE FINANCING OF ART FOR STATE BUILDINGS; TRANSFERRING THE BALANCE IN THE CULTURAL AND AESTHETIC PROJECTS TRUST FUND AND THE CULTURAL AND AESTHETIC PROJECT ACCOUNT TO THE GENERAL FUND; AMENDING SECTIONS 2-15-1511, 15-35-108, 22-2-601, AND 22-2-602, MCA; REPEALING SECTIONS 2-15-1513, 2-15-1521, 22-2-101, 22-2-102, 22-2-103, 22-2-104, 22-2-105, 22-2-106, 22-2-107, 22-2-108, 22-2-109, 22-2-301, 22-2-302, 22-2-303, 22-2-304, 22-2-305, 22-2-306, 22-2-308, 22-2-309, 22-2-321, 22-2-401, 22-2-402, 22-2-403, 22-2-404, 22-2-405, 22-2-406, 22-2-407, AND 22-2-408, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 2-15-1511, MCA, is amended to read:

"2-15-1511. Agencies allocated to state board of education. The state historical society, ~~the Montana arts council,~~ and the state library commission are allocated to the state board of education for purposes of planning and coordination. Budget requests to the state for these agencies ~~shall~~ must be included with the budget requests of the state board of education; ~~however~~ However, the governance, management, and control of the respective agencies ~~shall be~~ is vested respectively in the board of trustees of the state historical society, ~~the Montana arts council,~~ and the state library commission."

Section 2. Section 15-35-108, MCA, is amended to read:

"15-35-108. Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.



1 (2) Twelve percent of coal severance tax collections is allocated to the long-range building program
2 account established in 17-7-205.

3 (3) The amount of 8.36% must be credited to an account in the state special revenue fund to be
4 allocated by the legislature for local impacts, county land planning, provision of basic library services for
5 the residents of all counties through library federations and for payment of the costs of participating in
6 regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act.
7 Any cash balance that is unspent at the end of each fiscal year must be deposited in the general fund.

8 (4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks
9 acquisition or management. Income from this trust fund must be appropriated for the acquisition,
10 development, operation, and maintenance of any sites and areas described in 23-1-102.

11 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the
12 renewable resource loan debt service fund.

13 ~~(6) The amount of 0.63% must be allocated to a nonexpendable trust fund for the purpose of~~
14 ~~protection of works of art in the state capitol and for other cultural and aesthetic projects. Income from this~~
15 ~~trust fund must be appropriated for protection of works of art in the state capitol and other cultural and~~
16 ~~aesthetic projects.~~

17 ~~(7) All other revenue from severance taxes collected under the provisions of this chapter must be~~
18 ~~credited to the general fund of the state."~~

19

20 **Section 3.** Section 22-2-601, MCA, is amended to read:

21 **"22-2-601. American Indian monument and tribal flag circle —~~competition for design.~~** (1) The state
22 of Montana shall erect on the grounds of the capitol complex a monument to American Indians and a
23 Montana tribal flag circle in recognition of American Indians' contributions to this state and nation.

24 ~~(2) The Montana arts council shall advertise and conduct a competition among all Montanans for~~
25 ~~a design for the monument and flag circle."~~

26

27 **Section 4.** Section 22-2-602, MCA, is amended to read:

28 **"22-2-602. Advisory committee -- composition -- duties.** (1) To coordinate the project provided
29 for in 22-2-601, the governor shall appoint an advisory committee composed of the following ~~4~~ 10
30 members:

- 1 (a) ~~a representative from the Montana arts council;~~
 2 ~~(b)~~ a representative from each of the state's seven Indian reservations;
 3 ~~(e)~~(b) a representative from the architecture and engineering division of the department of
 4 administration;
 5 ~~(d)~~(c) the governor's state coordinator of Indian affairs or the coordinator's designee; and
 6 ~~(e)~~(d) a representative of the Montana historical society.

7 (2) The advisory committee shall review ~~the proposals submitted in the design competition~~ for the
 8 monument and flag circle and select an appropriate design.

9 (3) The advisory committee shall make recommendations to the department of administration for
 10 an appropriate site for the monument and the flag circle on the grounds of the capitol complex. The
 11 monument and flag circle may be located separately on the grounds.

12 (4) The advisory committee shall solicit and accept private contributions to finance the monument
 13 and the placement of the monument and the flag circle on the grounds of the capitol complex."

14
 15 NEW SECTION. Section 5. Fund transfer. On [the effective date of this act], the balance in the
 16 cultural and aesthetic projects trust fund and the cultural and aesthetic project account are transferred to
 17 the state general fund.

18
 19 NEW SECTION. Section 6. Repealer. Sections 2-15-1513, 2-15-1521, 22-2-101, 22-2-102,
 20 22-2-103, 22-2-104, 22-2-105, 22-2-106, 22-2-107, 22-2-108, 22-2-109, 22-2-301, 22-2-302, 22-2-303,
 21 22-2-304, 22-2-305, 22-2-306, 22-2-308, 22-2-309, 22-2-321, 22-2-401, 22-2-402, 22-2-403, 22-2-404,
 22 22-2-405, 22-2-406, 22-2-407, and 22-2-408, MCA, are repealed.

23

24 NEW SECTION. Section 7. Effective date. [This act] is effective July 1, 1997.

25

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB 456, as introduced.


DESCRIPTION OF PROPOSED LEGISLATION:

An act eliminating state funding for art; eliminating the Montana Arts Council and the cultural and aesthetics projects advisory council; eliminating cultural and aesthetics project grants; eliminating the financing of art for state buildings; transferring the balance of the cultural and aesthetics trust fund and the cultural and aesthetics project account to the general fund.

ASSUMPTIONS:

1. If state funding is lost, all federal funds will be eliminated as well, currently estimated at \$258,000 per annum.
2. All existing employees of the council would be terminated. The payout and Employee Protection Act (EPA) costs for the 5 current employees is estimated at \$37,701 and will be paid with general fund. Current leave payout is \$18,951 total and EPA costs are \$3,750 per employee (state share health insurance for 6 months plus \$2,400 for training). All operating expenses of the Arts Council would be eliminated.
3. Cultural & aesthetic projects funds in the executive budget for appropriation in HB 9 (grants) and HB 2 (administration and programs) total \$1,239,197 for the 98-99 biennium. Elimination of the cultural trust will eliminate these funds as they represent interest earned on the cultural trust.
4. The cultural trust fund principal is currently invested in the trust funds bond pool (TFBP) and the short term investment pool (STIP). On July 1, 1997, all cultural trust shares would be sold at their market value and the sales proceeds transferred to the state general fund. Upon transfer of the principal to the state general fund, the balance will be invested as part of the treasurer's fund, interest from which is deposited in the state general fund. While the trust earned \$587,588 in fiscal 1996, the balance once transferred to the State General Fund would not earn as much interest because the Treasurer's Fund has a lower yield than the TFBP which generated most of the interest earnings for the trust in FY96. For purposes of this fiscal note, a 5 percent yield is calculated for the treasurer's fund on a transferred balance. Interest, projected at \$635,000 in FY 98 and \$650,000 in FY 99 (HJR 2) on the cultural trust, would be reduced to \$387,700 per year on the funds in the general fund.
5. The Cultural Trust principal is projected to be \$7,753,157 at the end of FY97. The cultural and aesthetic projects fund is anticipated have a balance of \$293,928. These amounts will be transferred to the general fund.
6. Coal severance tax collections are projected to be \$38,832,000 in FY98 and \$38,223,000 in FY99 (HJR2). Under current law .63 percent is allocated to the cultural trust. HB456 would divert this amount to the general fund. The projected amount diverted from the cultural trust is \$244,635 in FY98 and \$240,800 in FY99.
7. Montana organizations and artists received support from the regional organization, Western States Arts Federation (WSAF), of about \$38,000 in FY 96. These funds would not be forthcoming if the state is not a member of WSAF.
8. Funds for public art in state buildings (MCA 22-2-401 through 408) for the 98-99 biennium have not been determined by the legislature. Projects in the current biennium total \$218,800. Over 90% of these funds are utilized for purchase and maintenance of art work in state buildings, with the balance for administration. Architecture and Engineering/Department of Administration oversees these projects.

(Continued)


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

STEVE VICK, PRIMARY SPONSOR DATE

Fiscal Note for HB0456, as introduced

HB456

Fiscal Note Request, HB0456 as introduced

Page 2

(continued)

<u>FISCAL IMPACT:</u>	<u>FY98</u>	<u>FY99</u>
<u>Expenditures</u>	<u>Difference</u>	<u>Difference</u>
Personal Services	(291,922)	(306,175)
Termination Costs	37,701	0
Operating Expenses	(168,071)	(149,666)
Equipment	(4,600)	0
Grants	(405,344)	(405,344)
Grants/Cultural Trust	<u>(500,989)</u>	<u>(500,989)</u>
Total Expenditures	(1,333,225)	(1,362,174)
 <u>Funding</u>		
General fund (01)	(457,258)	(482,944)
Cultural & Aesthetic Projects (02)	(617,967)	(621,230)
Federal (03)	<u>(258,000)</u>	<u>(258,000)</u>
Total Funding	(1,333,225)	(1,362,174)
 <u>Revenues:</u>		
Transfer of trust to General Fund	7,753,157	0
Cultural Trust	(7,753,157)	0
Transfer of C&A Acc. to General Fund	293,928	0
Cultural & Aesthetic Projects (02)	<u>(293,928)</u>	0
Coal Tax reallocation to General Fund	244,635	240,800
Coal Tax allocation to Trust	(244,635)	(240,800)
Treasury Cash Interest (General Fund)	387,700	387,700
Cultural & Aesthetic Proj. Interest (02)	(635,000)	(650,000)
Federal (03)	(258,000)	(258,000)
 <u>Revenue Summary:</u>		
General Fund	8,679,420	628,500
Cultural & Aesthetic Projects (02)	(928,928)	(650,000)
Cultural Trust (09)	(7,997,792)	(240,800)
Federal (03)	(258,000)	(258,000)
 <u>Net Effect on Fund Balance (revenue minus expenditure)</u>		
General fund (01)	9,136,678	1,111,444
Cultural & Aesthetic Projects (02)	(310,961)	(28,770)
Cultural trust (09)	(7,997,792)	(240,800)
Federal	0	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This elimination will mean the loss of at least \$1.4 million per year to local organizations. Loss to local budgets may be compounded beyond the loss in government funding, because the leverage power of the grant dollar is lost.

Other Montana organizations and artists, who are projected to receive \$50,000 per annum, may also be ineligible for NEA funding, if the state does not support a state arts agency.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

While the transferred fund balance will initially generate interest income for the State General Fund, if the balance is appropriated and does not increase the ending State General Fund balance, HB0456 will not increase general fund interest income in the long term.

TECHNICAL NOTES:

The council last year allocated grant funds for FY97 and FY98. The FY98 awards total \$116,740, contingent on availability of funding. It is unknown if HB456 would remove the state's liability to pay and administer these grant funds FY98.