

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	30.75	30.75	30.46	30.46	30.75	30.46	(0.29)	(0.94)%
Personal Services	2,637,335	2,455,754	2,207,069	2,212,462	5,093,089	4,419,531	(673,558)	(13.22)%
Operating Expenses	2,410,555	2,208,024	2,419,229	2,390,880	4,618,579	4,810,109	191,530	4.15%
Equipment & Intangible Assets	11,405	29,103	11,465	11,496	40,508	22,961	(17,547)	(43.32)%
Grants	549,805	992,145	1,862,180	807,136	1,541,950	2,669,316	1,127,366	73.11%
Total Costs	\$5,609,100	\$5,685,026	\$6,499,943	\$5,421,974	\$11,294,126	\$11,921,917	\$627,791	5.56%
General Fund	2,882,260	3,318,917	3,072,734	3,056,934	6,201,177	6,129,668	(71,509)	(1.15)%
State/Other Special Rev. Funds	1,738,260	1,801,236	1,748,484	1,741,315	3,539,496	3,489,799	(49,697)	(1.40)%
Federal Spec. Rev. Funds	988,580	564,873	1,678,725	623,725	1,553,453	2,302,450	748,997	48.21%
Total Funds	\$5,609,100	\$5,685,026	\$6,499,943	\$5,421,974	\$11,294,126	\$11,921,917	\$627,791	5.56%

Mission Statement

The Montana State Library is committed to strengthening libraries and information services for all Montanans through leadership, advocacy, and service.

There is additional, more detailed information about the department in the agency profile.

<http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Montana Library Commission Major Budget Highlights
<ul style="list-style-type: none"> • The budget increase for this agency's budget is primarily due to present law adjustments, which include: <ul style="list-style-type: none"> ◦ LSTA grants of just over \$1 million ◦ Montana Land Information grants • The executive would add 1.0 FTE for a water information systems manager position

Agency Personal Services

Personal services comprise 40% of FY 2015 appropriated expenditures, while the Governor proposes 32.7% in FY 2016 and 40% in FY 2017 for personal services.

Vacancy Savings – MSL met their 4% vacancy savings reduction and did not have to rely on the personal services contingency fund

Program Specific Obstacles – Turnover is higher in newly hired professional librarian positions due to low salaries offered by the agency

Retirements – Approximately 42% of this agency's FTE are eligible for full or early retirement in the 2017 biennium

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

FY 2015 Appropriation Transactions - Montana State Library			
Program	Legislative Appropriation	Legislative Approps OTO	Total Executive Implementation
Personal Services	2,075,649	380,105	2,455,754
Operating Expenses	2,208,024	-	2,208,024
Equipment & Intangible Assets	29,103	-	29,103
Grants	1,006,952	(14,807)	992,145
Agency Total	\$5,319,728	\$365,298	\$5,685,026

The only difference between the FY 2015 legislative appropriation and FY 2015 as implemented by the executive is one-time-only funding of \$365,298.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$289,372 above the FY 2015 Legislative Appropriation. The primary reason for the difference is that biennial LSTA grants were largely spent in the first year of the biennium.

Funding

The following table shows proposed program funding by source from all sources of authority.

Montana State Library, 01-Statewide Library Resources Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,129,668	0	791,532	6,921,200	51.66 %
02026 NRIS State Special	567,046	0	0	567,046	16.25 %
02340 Coal Sev. Tax Shared SSR	938,863	0	0	938,863	26.90 %
02779 Montana Land Information	1,983,890	0	0	1,983,890	56.85 %
State Special Total	\$3,489,799	\$0	\$0	\$3,489,799	26.05 %
03018 Library Commission	2,302,450	0	0	2,302,450	100.00 %
03432 ARRA-BTOP MSL	0	0	0	0	0.00 %
03930 NRIS Federal Funds	0	0	0	0	0.00 %
Federal Special Total	\$2,302,450	\$0	\$0	\$2,302,450	17.19 %
06021 MT Shared Catalog	0	683,071	0	683,071	100.00 %
Proprietary Total	\$0	\$683,071	\$0	\$683,071	5.10 %
Total All Funds	\$11,921,917	\$683,071	\$791,532	\$13,396,520	

The Montana State Library is funded through a combination of general fund, state special revenue, and federal special revenue.

General fund supports:

- The statewide interlibrary resource-sharing program
- State aid to libraries throughout Montana
- Natural Resource Information System (NRIS)
- General agency operations

State special revenue includes:

- A portion of the coal severance tax shared account, partially funding general operations, the periodic database, and the library federation grants to assist local libraries in providing basic services
- Assessments from certain state agencies that use the NRIS
- Revenue from the Montana Land Information account that receives a portion of document recording fees assessed at the local level

Federal funds come primarily from Library Services and Technology Act (LSTA) grants administered through the federal Institute of Museum and Library Services. These federal funds:

- Are formula grants from the federal agency rather than competitive grants
- Require a 2:1 federal: state match and a 5 year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities

LFD COMMENT	LSTA grants are received each year, but can be spent over two federal years. Federal years begin in October rather than July. As a result, a LSTA grant received in FY 2015 can be spent in FY 2015, FY 2016, and the first three months of FY 2017. Previous legislatures have appropriated LSTA grants and projects as a biennial
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appropriation to align the funding with the expenditures in the first year. Aligning funding this way then creates a larger increase from FY 2015 as appropriated to FY 2016. The figure below illustrates these changes for the current biennium.

Montana Library Commission Library Services and Technology Act Funding 2017 Biennium Present Law Adjustments						
Budget Level	FY 2014 Actual	FY Approp	2015FY 2016 PL Adjustment	FY 2016 Total Budget	FY 2017 PL Adjustment	FY 2017 Total Budget
State Library Operations	\$ 378,726	\$ 364,312	\$ -	\$ 378,725	\$ -	\$ 378,725
LSTA Grants/Projections	\$ 609,855	\$ 875,515	\$ 690,145	\$ 1,300,000	\$ (364,855)	\$ 245,000
Total Costs	\$ 988,581	\$ 1,239,827	\$ 690,145	\$ 1,678,725	\$ (364,855)	\$ 623,725

This agency includes proprietary funding that does not require an appropriation. This funding is discussed in more detail in the Proprietary Rates section later in this narrative.

**LFD
ISSUE**

Coal Tax Shared Account

The coal tax shared revenue fund is statutorily designated for libraries, conservation districts, and the Growth Through Agriculture program. The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council, which is administratively attached to the Department of Agriculture. The figure below summarizes the condition of the fund. The figure assumes:

- The Governor’s proposed HB 2 budget for the 2017 biennium
- The Legislative Fiscal Division (LFD) revenue estimates for the 2017 biennium
- Any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108(3) beginning in FY 2015
- Additional costs from a pay plan bill, if any, are excluded

Department of Natural Resources and Conservation Coal Tax Shared State Special Revenue				
Balance, Expenditures & Revenues	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$1,444,325	\$19,278	(\$74,212)	(\$46,243)
<u>Expenditures</u>				
Montana State Library	(562,584)	(562,801)	(473,030)	(465,833)
Natural Resources & Conservation	(2,223,810)	(2,239,107)	(2,245,131)	(2,211,746)
Agriculture	<u>(425,512)</u>	<u>(440,706)</u>	<u>(402,994)</u>	<u>(396,637)</u>
Total Expenditures	(3,211,906)	(3,242,614)	(3,121,155)	(3,074,216)
Non-Appropriated/Off-Base Amounts to General Fund	(1,443,044)			
Adjustments	80,779			
LFD Revenues	<u>3,149,124</u>	<u>3,149,124</u>	<u>3,149,124</u>	<u>3,149,124</u>
Ending Fund Balance	\$19,278	(\$74,212)	(\$46,243)	\$28,665
				To General Fund

Proposed Expenditures

The executive is requesting \$6.2 million in spending authority from this fund in the FY 2017 biennium, allocated as shown on the above table, a decrease of 4% from the 2015 biennium.

Projected Revenue

The LFD revenue projection totals \$6.5 million for the biennium, a 5% increase from the 2015 biennium.

As noted above, the table uses the LFD revenue estimates to evaluate the condition of the fund. As shown on the table, the fund would have a negative balance at the end of FY 2015. Therefore, the executive will need to reduce expenditures in that year to eliminate the projected negative ending fund balance. Because the executive proposes expenditures in the 2017 biennium that are within projected revenues, the fund would be balanced. LFD staff will provide an update to the legislature on any action taken by the executive concerning FY 2015 expenditures.

State Library

The proposed expenditures from this account for the State Library in the 2017 biennium include \$938,863. A new proposal totaling \$186,305 decreases the budget to this amount for statewide library resources due to declining revenue projections for the Coal Severance Tax Shared fund.

Statute

Section 15-35,108, MCA provides for 5.46% of coal severance tax collections to be deposited to a state special revenue fund to be used for the following:

- Basic library services for residents of all counties
- Conservation districts
- Montana Growth through Agriculture

Any unreserved fund balance at the end of each fiscal year must be deposited in to the general fund.

Statute does not allocate the funds to any of the above entities, but gives the legislature authority to appropriate the funds. Such a methodology may cause one entity to receive a large appropriation while the other two entities receive little or none. The table below identifies legislative allocation from FY 2011 to FY 2014.

Coal Tax Shared Account History					
2340					
Agencies	FY 2014 Appropriation	FY 2013 Appropriation	FY 2012 Appropriation	FY 2011 Appropriation	Average
Library Commission	\$562,804	\$509,800	\$512,273	\$630,041	\$553,730
DNRC	2,223,806	2,207,424	2,357,698	1,686,398	2,118,832
Agriculture	444,170	393,926	387,676	820,516	511,572
Total	\$3,230,780	\$3,111,150	\$3,257,647	\$3,136,955	\$3,184,133
Percent of Total					
Library Commission	17.4%	16.4%	15.7%	20.1%	
DNRC	68.8%	71.0%	72.4%	53.8%	
Agriculture	13.7%	12.7%	11.9%	26.2%	

The legislature might consider the following methods that would make the appropriation process more equitable:

- Provide an allocation of the funds in equal amounts to each entity based on a percentage or a set dollar amount

- Statutorily appropriate the funds in equal shares

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,953,619	2,953,619	5,907,238	96.37 %	5,319,728	5,319,728	10,639,456	89.24 %
PL Adjustments	133,280	117,696	250,976	4.09 %	1,283,934	213,378	1,497,312	12.56 %
New Proposals	(14,165)	(14,381)	(28,546)	(0.47)%	(103,719)	(111,132)	(214,851)	(1.80)%
Total Budget	\$3,072,734	\$3,056,934	\$6,129,668		\$6,499,943	\$5,421,974	\$11,921,917	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	73,984	(33,716)	7,487	47,755	0.00	75,974	(30,994)	8,384	53,364
DP 99 - LEG. Present Law	0.00	59,296	70,518	1,106,365	1,236,179	0.00	41,722	67,824	50,468	160,014
Grand Total All Present Law Adjustments	0.00	\$133,280	\$36,802	\$1,113,852	\$1,283,934	0.00	\$117,696	\$36,830	\$58,852	\$213,378

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	29.46	\$8,366	\$5,952	-	\$14,318
Executive Implementation of 2015 Pay Increase		18,428	18,762	-	37,190
Other	1.00	47,191	(58,430)	7,487	(3,753)
Personal Services Present Law Adjustments	30.46	\$73,984	(\$33,716)	\$7,487	\$47,755
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	29.46	\$8,366	\$5,952	-	\$14,318
Executive Implementation of 2015 Pay Increase		18,018	19,172	-	37,190
Other	1.00	49,590	(56,118)	8,384	1,856
Personal Services Present Law Adjustments	30.46	\$75,974	(\$30,994)	\$8,384	\$53,364

The executive proposes to increase support to personal services adjustments by 2.3% in FY 2016 and 2.6% in FY 2017 when compared to the FY 2015 legislative budget. The primary increase of the personal services present law adjustment is due to costs associated with HB 13 and the full cost of the Governor’s negotiated 5% increase in FY 2015.

DP 99 - LEG. Present Law -

The executive proposes:

- An increase in general fund support for per diem for five commission members, and to reflect increases in legal fees
- An increase in state special revenue for the Montana Land Information Act (MLIA) to implement the annual Montana Land Plan, which is recommended by the MLIA Council and approved by the Library Commission
- An increase in federal special revenue to spend estimated Library Services and Technology Act (LSTA) grant awards and realign the biennial appropriation of the awards into the first year of the biennium, resulting in a smaller adjustment in FY 2017

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100002 - Water Information System Manager	1.00	88,665	0	0	88,665	1.00	88,449	0	0	88,449
DP 100010 - Statutory-HB 203 Library State Aid	0.00	(102,830)	0	0	(102,830)	0.00	(102,830)	0	0	(102,830)
DP 100011 - Coal Severance Tax Shared Reduction	0.00	0	(89,554)	0	(89,554)	0.00	0	(96,751)	0	(96,751)
Total	1.00	(\$14,165)	(\$89,554)	\$0	(\$103,719)	1.00	(\$14,381)	(\$96,751)	\$0	(\$111,132)

DP 100002 - Water Information System Manager -

The executive budget would add general fund for the state library for a new position in the NRIS program previously authorized as one-time-only by the 2013 Legislature to operate the Montana Water Information System provided for in 90-15-305, MCA.

DP 100010 - Statutory-HB 203 Library State Aid -

The executive would decrease general fund due to the 2015 Legislature establishing statutory authority in HB 203 for State aid – per capita – per square mile for public libraries.

LFD COMMENT	HB 203, passed during the 2015 legislative session, was an act revising state aid to libraries. The bill increased the total amount of annual per capita per square mile funding to public libraries for each fiscal year. The formula is the base amount of 40 cents multiplied by the total number of residents of the state as determined by the most recent decennial census of the population produced by the U.S. bureau of the census. Now a statutory appropriation, this requires moving base level expenditures from HB 2 into this new statutory authority.
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DP 100011 - Coal Severance Tax Shared Reduction -

The executive proposes a decrease in state special revenue of \$184,306 in the 2017 biennium to align expenditures with the executive's revenue projections for the Coal Severance Tax Shared fund.

Other Issues -

Proprietary Program Description

The Montana Shared Catalog (MSC) is a cooperative project involving more than 167 libraries. Public, school, academic, medical, and other special libraries have pooled resources to purchase a library automation system. Members enjoy the benefits of shared expertise and the ability to provide services to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

The Montana Shared Catalog is funded with enterprise type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. The source of the funding is the member fees paid by the libraries to belong to the MSC. State support is not appropriated to the proprietary fund.

Proprietary Revenue and Expenses

The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 167 member libraries that pay membership fees each year. Expenditures include payment of required fees for software licensing, user interface, and indexing to make the system run; payment for required yearly catalog and director station maintenance; a travel budget that includes meetings twice a year to make decisions on direction of the shared catalog and conference attendance; training to new library members as well as ongoing training to current members; and equipment replacement.

2017 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06021	MT Shared Catalog	51150	State Library Commission	MT State Library

	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:						
Other Operating Revenues	221,817	235,343	248,663	315,632	340,935	342,120
Total Operating Revenue	221,817	235,343	248,663	315,632	340,935	342,120
Operating Expenses:						
Personal Services	81,200	83,815	85,178	139,359	148,560	149,729
Other Operating Expenses	155,211	184,438	192,381	202,491	192,375	192,391
Equipment Expenses	-	-	-	-	-	-
Total Operating Expenses	236,411	268,253	277,559	341,850	340,935	342,120
Operating Income (Loss)	(14,594)	(32,910)	(28,896)	(26,218)	-	-
Total Net Assets- July 1 - As Restated	188,648	157,016	109,748	82,530	56,312	56,311
Prior Period Adjustments				-	-	-
Cumulative effect of account change	-	-	1,678	-	-	-
Total Net Assets - July 1 - As Restated	188,648	157,016	111,426	82,530	56,312	56,311
Net Assets- June 30	174,054	124,106	82,530	56,312	56,312	56,311
60 days of expenses (Total Operating Expenses divided by 6)	39,402	44,709	46,260	56,975	56,823	57,020

**Requested Rates for Enterprise Funds
Fee/Rate Information**

In accord with the written agreement each participating Montana Shared Catalog (MSC) library signs upon joining this library consortium, annual fees assessed each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following: the individual library's titles count (formula weighting=30%), patron count (formula weighting=30%), circulation count (formula weighting=10%), and an equal share contribution (formula weighting=30%). Libraries which fall below a set threshold in their title counts and patron counts receive a fixed discount in accord with criteria set forth in the cost formula.

Proprietary Rate Explanation

In accord with the written agreement each participating Montana Shared Catalog library signs upon joining this library consortium, annual fees assessed each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following:

- The individual library's titles count
- Patron count
- Circulation Count
- Equal share contribution

Libraries that fall below a set threshold in their title counts and patron counts receive a fixed discount in accord with criteria set forth in the cost formula.

**LFD
COMMENT**

As shown in the table, operating revenues are expected to increase approximately:

- 27% from FY 2014 to FY 2015
- 8% from FY 2015 to FY 2016
- < 1% from FY 2016 to 2017.

This difference is due to the addition of 1.0 FTE to the Montana Shared Catalog administration and support staff, and a 5% salary increase for state employees starting FY 2015 approved by the board. To cover these additional costs participating libraries' amount due will increase based on the cost formula, varying per library.