

Agency Proposed Budget

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

| Agency Proposed Budget | | | | | | | | |
|------------------------|----------------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Exec. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Exec. Budget Fiscal 2007 | Total Exec. Budget Fiscal 06-07 |
| FTE | 28.50 | 0.00 | 1.00 | 29.50 | 0.00 | 1.00 | 29.50 | 29.50 |
| Personal Services | 1,466,723 | (186,892) | 29,645 | 1,309,476 | (186,551) | 29,565 | 1,309,737 | 2,619,213 |
| Operating Expenses | 1,311,150 | (24,295) | 0 | 1,286,855 | (37,274) | 0 | 1,273,876 | 2,560,731 |
| Equipment | 74,885 | 3,534 | 70,000 | 148,419 | 5,300 | 0 | 80,185 | 228,604 |
| Grants | 423,332 | 883,316 | 25,136 | 1,331,784 | 277,655 | 25,136 | 726,123 | 2,057,907 |
| Total Costs | \$3,276,090 | \$675,663 | \$124,781 | \$4,076,534 | \$59,130 | \$54,701 | \$3,389,921 | \$7,466,455 |
| General Fund | 1,497,806 | 224,506 | 124,781 | 1,847,093 | 7,972 | 54,701 | 1,560,479 | 3,407,572 |
| State/Other Special | 1,020,396 | 28,351 | 0 | 1,048,747 | 28,352 | 0 | 1,048,748 | 2,097,495 |
| Federal Special | 757,888 | 422,806 | 0 | 1,180,694 | 22,806 | 0 | 780,694 | 1,961,388 |
| Total Funds | \$3,276,090 | \$675,663 | \$124,781 | \$4,076,534 | \$59,130 | \$54,701 | \$3,389,921 | \$7,466,455 |

Agency Description

The Library Commission, authorized in 22-1-101, MCA, administers state and federal library funding to operate and maintain the state library, oversees the six library federations located throughout Montana, and develops library oriented statewide long-range planning, policy, and service coordination.

Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio book library for use by Montanans unable to utilize printed materials; providing access to state and federal publications; maintaining and providing information related to Montana's plant and animal species and habitat; as well as comprehensive land information.

Agency Highlights

| State Library Commission Major Budget Highlights |
|--|
| <p>Total funding increases of \$900,000 over the 2005 biennium are due to:</p> <ul style="list-style-type: none"> • Annualization of 2005 biennium federal grants • Present law adjustments in personal services that include a reduction for five modified, federally funded positions • Standard base adjustments that include biennial appropriations of grant awards • A shift in Resource Indemnity Trust funding accounts <p>The executive includes recommendations for:</p> <ul style="list-style-type: none"> • Reimbursements for interlibrary loans • Library federation support • Restoration of funding for one FTE position that was reduced in the general fund reduction for the 2005 biennium • A \$70,000 one-time-only equipment request |

Agency Discussion

The budget proposed by the Governor includes increases over the base year of \$800,400 in present law adjustments and new proposals for FY 2006, and \$114,000 for FY 2007. The difference between the two fiscal years is due to the realignment of federal grants to match anticipated funding levels and a new proposal of \$70,000 for equipment. Adjustments are discussed in detail in the present law adjustment and new proposal sections.

Reorganization

As approved by the 2003 Legislature and by the Montana Library Commission, the library reorganized, combining the Natural Resource Information System (NRIS) with the Library and Information Service Department (LISD) to create an integrated, digitally focused, information department that is supported by professional librarians and information specialists, now called The Montana State Digital Library (MSdL). The combined programs were designed to provide resources to support the information needs of state agency management and staff, Montana librarians, and the public, including businesses and students. Specialized information resources include State of Montana publications, natural resource information, and information about the unique plants and animals of Montana. Digital library services are offered to users through resources via the Internet and through one-on-one assistance.

The major reorganization of the State Library, which consolidates two budgetary programs into a single budget, has taken place under the funding from the last legislative session. However, merging of programs is an ongoing activity, as is monitoring and evaluation of the impact of the library programs as it moves from print to electronic media. At this time, the number of reference services and number of on-line services are indicators of whether the library meets the needs of its clients. The following figure provides actual statistics as well as goals for services impacted by the reorganization that reflect the 2007 biennium budget.

| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|--|---------|---------|---------|---------|---------|---------|
| Talking book circulation | 145,384 | 144,828 | 141,864 | 144,700 | 147,600 | 153,500 |
| Digital Library reference requests | 7,637 | 7,180 | 4,604 | 5,064 | 5,571 | 6,128 |
| Digital library visits to web services | 608,525 | 761,000 | 847,023 | 890,000 | 934,500 | 981,225 |

Reference services referred to in the chart, which represent staff assistance provided to patrons, decreased during FY2004 due to the reorganization activities of moving from print-based library services to electronic-based library services.

Visitor sessions represent a visit to the digital library's web-based information services, during which a patron may utilize several different information resources. In FY 2004, 847,023 visitor sessions averaged approximately 13 minutes each, which translates to 504 hours of web service usage by patrons for every calendar day of the year, demonstrating a shift in how library patrons locate and obtain data and information, and a shift in usage that is beyond that which could be handled personally by the MSL staff. Expectations are that this upward trend should continue as additional library information is made available via web-based services.

The NRIS program has been partnering with Fish, Wildlife and Parks (FWP) for nearly 20 years on projects that use mutually essential data. An outgrowth of the many NRIS / FWP projects is a plan to remodel a portion of the area housing the State Library collection to provide office space for FWP staff that often work on mutual projects through NRIS. The library commission's budget does not include any money toward the remodeling. FWP is committed to pay an amount up to \$238,000 in FY 2005 in exchange for a commitment from the library to provide up to 2,000 square feet of office space for FWP staff for the next ten years. Payment for remodeling will be handled by FWP working directly with the Department of Administration. Remodeling is anticipated to begin in early 2005.

Funding

The following table shows funding, by source, for the base year and the 2007 biennium.

| Total Agency Funding 2007 Biennium Executive Budget | | | | | |
|--|--------------|--------------|--------------|--------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Statewide Library Resources | \$ 3,407,572 | \$ 2,097,495 | \$ 1,961,388 | \$ 7,466,455 | 100.0% |
| Grand Total | \$ 3,407,572 | \$ 2,097,495 | \$ 1,961,388 | \$ 7,466,455 | 100.0% |

This program is funded with a combination of state (general fund, state special revenue) and federal funding.

State Funding

General fund supports the interlibrary loan reimbursement program, state aid to libraries throughout Montana, and general operations.

State special revenue includes funding from:

- The coal severance tax shared account partly funds general operations, the periodical database, materials and on-line books, and library federation grants and support that help local libraries provide basic services
- Two components of the Resource Indemnity Trust (RIT): Renewable resources, and reclamation and development grants which partly fund the Natural Heritage program, NRIS, and the water information system
- Contracts from the departments such as Fish Wildlife and Parks, Transportation, DNRC, University System, and Environmental Quality, which partly fund work done by NRIS, the natural heritage and water programs

LFD COMMENT

The executive budget recommends biennial allocations (DP-10) from the renewable resource account, and (DP- 2) from the coal severance tax shared interest earnings. The individual decision packages are discussed in the new proposal section.

Renewable resource account and coal severance tax shared account revenue are derived from interest earned by the Resource Indemnity (RIT) and Coal Tax Trusts, which are appropriated by the legislature as defined by the constitution, and addressed as state special revenue through the long-range planning bills, HB 7 and HB 5 respectively.

Figure 2 illustrates the change in appropriations from FY 2002, and shows that increased costs have generally been funded with RIT and Coal Tax, rather than general fund.

For a further discussion of RIT accounts, see the Department of Natural Resource and Conservation in Volume 4 of the LFD Budget Analysis.

| | FY 2002 | FY 2004 | FY 2006 | FY 2007 |
|---|-------------|-------------|-------------|-------------|
| General Fund | \$1,860,230 | \$1,497,806 | \$1,847,093 | \$1,560,479 |
| Coal Sev. Tax Shared SSR | 283,834 | 375,327 | 403,741 | 403,742 |
| Renewable Resources Grnt/Loans* | 197,803 | 42,349 | 0 | 0 |
| Reclamation & Development | 175,081 | 349,094 | 391,436 | 391,436 |
| Total General Fund, RIT, and Coal Tax Shared Account Revenue | \$2,516,947 | \$2,264,576 | \$2,642,270 | \$2,355,657 |

* The increase in reclamation and development grant funds reflects this account's assimilation of renewable resources funds that is discussed in DP 10.

Federal Funding

Federal Library Services and Technology Act (LSTA) funding provides grants to Montana libraries and supports state library personal services and operations.

The library maintains several positions that are funded by the Library Services and Technology Act. The number of personnel may vary from biennium to biennium depending upon grant revenue. These positions are called modified positions, and differ from other state positions in that they are removed from the base year budget. As the grant awards arrive, in accordance with 17-7-138, MCA, the library submits operating change documents to the state budget director asking permission to move the federal funds from grants to operations in order to fund the salaries. This process is reflected in the personal services line of the Present Law Adjustments Table and, depending upon the year, may be represented by a fairly large negative figure.

A wide range of federal grants that come in amounts under \$50,000 per year help fund state library services and projects related to the Natural Heritage program, NRIS, and the water information system.

Biennium Budget Comparison

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

| Biennium Budget Comparison | | | | | | | | |
|----------------------------|-------------------------|---------------------------|--------------------------------|-------------------------|---------------------------|--------------------------------|-----------------------------|---------------------------------|
| Budget Item | Present Law Fiscal 2006 | New Proposals Fiscal 2006 | Total Exec. Budget Fiscal 2006 | Present Law Fiscal 2007 | New Proposals Fiscal 2007 | Total Exec. Budget Fiscal 2007 | Total Biennium Fiscal 04-05 | Total Exec. Budget Fiscal 06-07 |
| FTE | 28.50 | 1.00 | 29.50 | 28.50 | 1.00 | 29.50 | 28.50 | 29.50 |
| Personal Services | 1,279,831 | 29,645 | 1,309,476 | 1,280,172 | 29,565 | 1,309,737 | 2,723,964 | 2,619,213 |
| Operating Expenses | 1,286,855 | 0 | 1,286,855 | 1,273,876 | 0 | 1,273,876 | 2,429,765 | 2,560,731 |
| Equipment | 78,419 | 70,000 | 148,419 | 80,185 | 0 | 80,185 | 156,468 | 228,604 |
| Grants | 1,306,648 | 25,136 | 1,331,784 | 700,987 | 25,136 | 726,123 | 1,956,851 | 2,057,907 |
| Total Costs | \$3,951,753 | \$124,781 | \$4,076,534 | \$3,335,220 | \$54,701 | \$3,389,921 | \$7,267,048 | \$7,466,455 |
| General Fund | 1,722,312 | 124,781 | 1,847,093 | 1,505,778 | 54,701 | 1,560,479 | 3,214,435 | 3,407,572 |
| State/Other Special | 1,048,747 | 0 | 1,048,747 | 1,048,748 | 0 | 1,048,748 | 2,041,220 | 2,097,495 |
| Federal Special | 1,180,694 | 0 | 1,180,694 | 780,694 | 0 | 780,694 | 2,011,393 | 1,961,388 |
| Total Funds | \$3,951,753 | \$124,781 | \$4,076,534 | \$3,335,220 | \$54,701 | \$3,389,921 | \$7,267,048 | \$7,466,455 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary 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 2006----- | | | | -----Fiscal 2007----- | | | | | |
|---|-----------------------|------------------|-----------------|------------------|-----------------------|-------------|-------------------|-----------------|------------------|--------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (137,057) | | | | | (136,700) |
| Vacancy Savings | | | | | (53,185) | | | | | (53,201) |
| Inflation/Deflation | | | | | 3,534 | | | | | 5,300 |
| Inflation/Deflation | | | | | (2,778) | | | | | (2,716) |
| Fixed Costs | | | | | 68,596 | | | | | 55,555 |
| Total Statewide Present Law Adjustments | | | | | (\$120,890) | | | | | (\$131,762) |
| DP 2 - Library Federation Support | 0.00 | 0 | 28,351 | 0 | 28,351 | 0.00 | 0 | 28,352 | 0 | 28,352 |
| DP 8 - Standard Base Adjustments | 0.00 | 107,278 | 0 | 660,924 | 768,202 | 0.00 | (98,384) | 0 | 260,924 | 162,540 |
| DP 10 - Transfer Base Exp. from Ren. Res. to Reclam. Dev. | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | 0.00 | \$107,278 | \$28,351 | \$660,924 | \$796,553 | 0.00 | (\$98,384) | \$28,352 | \$260,924 | \$190,892 |
| Grand Total All Present Law Adjustments | | | | | \$675,663 | | | | | \$59,130 |

DP 2 - Library Federation Support - The executive recommends the use of the coal tax shared account to provide funding to the Library Federation program in the amount of \$56,703 over the biennium.

LFD COMMENT

The state library receives coal tax shared revenue (15-35-108, MCA) to help fund general operations, the periodical database, materials and on-line books, and library federation support to help local libraries provide basic services. The state library’s total coal severance tax shared account revenue for FY 2002 was \$283,834. The 2005 legislature increased the amount to partially offset general fund reductions and continue funding for the periodical database, bringing the FY 2004 total to \$375,327. The amount of this decision package increases the executive’s recommendation to just over \$403,700 for FY 2006 and FY 2007. Expenditures would be approximately \$219,000 for the periodical database, \$56,000 for library on-line materials, and \$128,700 for federation activities.

The federation system helps library workers in Montana’s rural areas to cooperatively purchase services and products, and receive continuing education. The federation also helps local libraries with development and operations. In accordance with the statewide library goal to support continuing education of library workers, the federation provides educational sessions on general library management, and on topics relevant to the required Montana library directors’ certification. There is further discussion in the following box.

LFD ISSUE

The coal tax shared account collects 7.75 percent of all coal tax earnings. The library, along with other functions of state government, shares this amount and all appropriations must be coordinated to ensure that actual revenues are not over-appropriated.

In accordance with 15-35-108, MCA, coal severance tax shared revenue can be “allocated by the legislature for local impacts, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Money may not be transferred from this account to another account other than the general fund.” Currently the legislature funds programs in four agencies with these funds as shown in the following chart of revenues and expenditures.

**LFD
ISSUE
CONT.**

As shown, the Governor proposes to spend \$4.9 million of the total anticipated revenues of this account. Because any unspent or non-appropriated balance remaining is deposited into the general fund, appropriations have a direct bearing on the general fund.

Figure 3
Coal Tax Shared Revenue Account
2007 Biennium

| Component** | FY 2006 | FY 2007 | Biennium |
|---|--------------------|--------------------|--------------------|
| Revenues | | | |
| 7.75 percent of Coal Tax Revenues | \$2,449,155 | \$2,500,770 | \$4,949,925 |
| Expenditures | | | |
| Commerce - Coal Board*/County Planning | \$1,655,916 | \$88,249 | \$1,744,165 |
| Montana State Library - Statewide Library Resources | 403,741 | 403,742 | 807,483 |
| DNRC - Conservation Districts/Centralized Services | 727,563 | 632,132 | 1,359,695 |
| Agriculture - Growth Through Ag | 477,405 | 477,252 | 954,657 |
| Total | \$3,264,625 | \$1,601,375 | \$4,866,000 |
| Biennial Difference - Transferred to the General Fund | | | \$83,925 |

*Coal Board grants are biennial.
**Revenues are as estimated by the Revenue and Transportation Committee
Expenditures are as requested in the executive budget
December 11, 2004

The executive recommendations leave approximately \$84,000 that could be used for any of the lawfully cited purposes or deposited to the general fund.

DP 8 - Standard Base Adjustments - The decision package reestablishes zero-based per diem for library commission members and volunteer insurance. It also increases the federal authority to spend estimated grant awards and realigns the biennial appropriation of the awards into the first year of the biennium, resulting in a negative figure in FY 2007. The biennial adjustments impact general fund by \$8,894 and federal funds by \$921,848.

**LFD
COMMENT**

Each biennium, the library submits standard base adjustments with its budget.

- Per Diem for the State Library Commission is a zero-based account. There are five commission members, appointed by the Governor, who receive a per diem of \$50 per day when representing the commission on business. \$3,350 is requested for 5 members at \$50 times an estimate of 13 days.
- Federal Library Service Technology Act (LSTA) grant funds are administered by the Library Commission and can be spent over three state fiscal years (two federal fiscal years). This adjustment provides authority for spending the estimated grant funding for the 2007 biennium. The awards can be used for staff and operations associated with State Library programs such as the Talking Book Library and the Library Development Department, for statewide projects such as the Montana Library Network, and for a variety of local or regional library projects that may be selected through a competitive process. The projected appropriation levels for this next biennium are: \$900,000 for FY 2006, and \$300,000 for FY 2007. The adjustments were \$600,000 in FY 2004 and \$156,000 in FY 2005.
- Volunteer Insurance for volunteers working at the Talking Book Library is a zero-based account estimated at \$400 for 74 Volunteers at \$5.40 each.

| | |
|--------------------------|--|
| LFD COMMENT CONT. | <ul style="list-style-type: none"> The <u>Per Capita Per Square Miles Grants</u> for libraries is a biennial appropriation. This adjustment moves \$102,000 from the second year into the first year. The same action moved \$96,353 in FY 2005. These grants are distributed to public libraries throughout the state for use providing library services to Montanans. The public libraries are required to meet basic library standards recommended by the commission in order to receive these grant monies. |
|--------------------------|--|

DP 10 - Transfer Base Expenses from Renewable Resources to Reclamation Division - The Natural Resource Information System (NRIS) program at the State Library is partially funded with renewable resource funds and reclamation development funds. Because of cash flow problems in the Renewable Resources Program, base expenditures are transferred to the Reclamation and Development Program creating zeros in the present law adjustment table.

| | |
|--------------------|---|
| LFD COMMENT | <p>The library commission receives funding from allocation of RIT interest in the Renewable Resource Grant and Reclamation and Development Grant categories as directed by 15-38-202, MCA. There is \$782,872 available to the library for the 2007 biennium. The Governor is recommending an appropriation of \$391,436 each year.</p> <p>As a means to address a reduced amount of available funding in Renewable Resource Grants, proposed funds are in the Reclamation and Development line item of the budget, not Renewable Resource Grants as appropriated in the last session. The line item change results in the zeros in the DP-10 line in the present law adjustments table. For further discussion, see the DNRC section in Volume 4 of the LFD Budget Analysis.</p> |
|--------------------|---|

New Proposals

The “New Proposal” table summarizes all new proposals requested by the executive.

| New Proposals | -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
|--|-----------------------|------------------|--------------|---------------|------------------|-----------------------|-----------------|--------------|---------------|-----------------|-------------|
| | Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 7000 - Clerical Assistance in Library Development | | | | | | | | | | | |
| 01 | 1.00 | 29,645 | 0 | 0 | 29,645 | 1.00 | 29,565 | 0 | 0 | 29,565 | |
| DP 7001 - Interlibrary Loan Reimbursement | | | | | | | | | | | |
| 01 | 0.00 | 25,136 | 0 | 0 | 25,136 | 0.00 | 25,136 | 0 | 0 | 25,136 | |
| DP 7002 - Computer Equipment Upgrade | | | | | | | | | | | |
| 01 | 0.00 | 70,000 | 0 | 0 | 70,000 | 0.00 | 0 | 0 | 0 | 0 | |
| Total | 1.00 | \$124,781 | \$0 | \$0 | \$124,781 | 1.00 | \$54,701 | \$0 | \$0 | \$54,701 | |

DP 7000 - Clerical Assistance in Library Development - The Governor proposes to restore 1.00 FTE and approximately \$59,000 that was eliminated in the general fund reduction adopted by the 2005 Legislature. Funding from the general fund would provide clerical assistance in the Library Development Department, which provides a variety of services to Montana Libraries such as managing joint projects for services, interpreting federal and state regulations and laws, and improving technology, and other library services.

| | |
|--------------------|---|
| LFD COMMENT | <p>The library reorganization took \$132,000 and 2.00 FTE from the library in addition to a language reduction in general fund of \$10,940 in each fiscal year of the biennium for the statewide FTE reduction.</p> |
|--------------------|---|

DP 7001 - Interlibrary Loan Reimbursement - The executive proposes \$25,136 per year from the general fund to the interlibrary loan reimbursements program to prevent further increases in the interlibrary loan program at the local level.

**LFD
COMMENT**

This \$50,000 proposal returns slightly less than one third of the general fund reduction made by the last legislature to the interlibrary loan program to address budget balancing measures.

Libraries can generally not afford to own all of the books, periodicals and other materials requested by its users. However, libraries can provide access to these materials through interlibrary loans (22-1-213, MCA). The service is free to library cardholders, but the average actual cost to Montana libraries for making an interlibrary loan, based upon allocation of expenses at the local library level, is about \$18.00. This total includes all staff time, as well as mailing and other costs.

Montana legislatures have authorized interlibrary loan reimbursements to all Montana libraries since July 1, 1989.

The program was originally funded at about \$300,000, and reimbursements were around \$9.59 through FY 2002. This proposal would bring the total allocation of the interlibrary loan program to \$197,771 per year or \$395,500 for the biennium. If this amount were allocated, based upon 36,605 total loans made in FY 2004, loan reimbursements to local libraries each year would be \$5.40 per loan.

If eligible loans are based upon current sharing of resources, projections would be more in the range of 43,000, which would bring the reimbursement to \$4.60 based on the same appropriation.

DP 7002 - Computer Equipment Upgrade - This request is one-time-only, restricted, and would be paid from general fund. The Montana State Digital Library (MSdL) grew from the reorganization discussed in the agency narrative. MSdL has now established highly functional and enhanced services, and needs to invest in information technology infrastructure to protect the data and its delivery: a higher capacity tape backup system costing approximately \$25,000; a backup generator costing approximately \$35,000 that would provide power for critical systems in the event of a power outage of long duration; and additional hard-disk storage to accommodate anticipated growth in storage needs costing approximately \$10,000.

Language

"Item 1 includes biennial appropriations of \$251,138 in general fund money and \$850,000 in federal funds for grants to local libraries."