

Date: October 24, 2002

To: Montana State Library Commission  
From: Karen Strege by Darlene Staffeldt  
Re: FY 2004/5 budget reductions

In addition to the cuts requested in general fund for the FY04/05 biennium, the Governor's office is asking us to make the following reduction in Coal Severance tax monies. I am using approximate figures. We are trying to schedule a teleconference meeting (9:00am Tuesday, October 29) to discuss and take action on these additional cuts. We need to let the Governor's budget office know your recommendation by midday Tuesday at the latest.

#### Coal Tax Revenue

For many years, the state library has received funding from the coal severance tax to support federations and materials for the state library to serve the interests of the state's citizens. In 1999, the legislature appropriated additional funds out of this account to help fund the periodical database project. MSL was to receive a total of \$295,000 per year of coal severance tax.

The state library shares 8.36% of this tax with the Coal Board, conservation districts, the Montana Growth through Agriculture Act, and county land planning activities. The Governor is requesting the State Library to give up \$151,000 each year, starting in FY04.

MSL uses \$295,000 of the coal tax to support three separate activities. The first is the support of federations operations of \$97,200. The second is to purchase materials and memberships to benefit statewide library services at a cost of \$69,500. The third program is the purchase of a statewide license to the Gale product, Infotrac, which is partially funded, \$128,300, through the coal tax.

The Governor did not recommend specific cuts in these activities. The decision is the Commission's.

#### **Staff recommendation**

Eliminate federation funding	97,200
Reduce membership/materials	53,800
Total reduction	151,000

#### Rationale and impacts:

The statewide database project provides for cost effective purchases of information database for all types of library across the state. It is a valuable resource for Montana citizens. Librarians across the state as well as staff believe that Montana citizens must have access to these information resources.

Therefore, if the database funding is left as is, the two areas for reductions are federation funding and MSL's materials budget, which is the collection budget for the new merged library center proposal.

The Montana State Library Digital Library Initiative's collection (both print and online) has already been targeted to sustain a \$42,000 loss. Another \$53,800 decrease, brings the reduction to \$95,000. The remaining collection budget will be \$100,000. Already significant reductions in the amounts of periodicals, monographs, and online services are being made. Although Library staff will provide the most needed materials to state employees, the level of service will decrease dramatically resulting in employees and librarians that spend much more time seeking and receiving information. For this reason, the staff recommends that \$15,700 be left in the materials budget from coal tax.

Eliminating coal tax funding for federations would leave only \$82,000 in base grants from the general fund. Each federation would receive only \$1000 per public library in the federation for their operating budget. The impacts on federation would be severe. Reductions would most likely include providing little or no continuing education/training, website development, travel reimbursement for meetings, and group purchases of expensive materials or services. Federation coordinators would have to balance needs for administrative costs against the needs of the membership. It is unlikely that any federation headquarter library could bear the administrative costs without state support and it is likely that federations, as currently structured, would not exist.

None of these are good choices. We cannot reduce by \$151,000 any other revenues of the State Library, including the general fund, resource indemnity tax (RIT), or the Library Services and Construction Act.

The staff reluctantly recommends to the Commission the reductions listed above and asks the Commission to direct MSL staff to submit these reductions to the Governor's budget office and when the appropriate time comes to cooperate with the Montana Library Association and state legislators to make known the impacts of these reductions.