

Memo

To: Library Development Study Task Force

From: Jennie Stapp, State Librarian
Sarah McHugh, Director of Statewide Library Resources

Date: May 14, 2015

Re: **Funding for library development work at the Montana State Library**

Funding for library development work comes from three primary sources, federal Library Services Technology Act (LSTA) dollars, State General Fund and State Coal Severance Tax (CST) dollars. Descriptions of each follow. Additional budget information is included with your meeting materials under separate cover.

- 1) LSTA funds are appropriated by Congress as a part of the federal budget to the Institute of Museum and Library Services (IMLS). These monies are awarded to each state through the Grants to State Program which allocates the non-competitive grants on a per capita basis. States are required to match the grants locally. How the funds are spent is largely left up to each state. State Libraries are required to prepare five year plans to document state priorities for the use of the LSTA funds. These plans should align with current IMLS priorities. These plans must be approved by IMLS. Additionally, State Libraries prepare annual and five year reports that document how the monies were spent and the impact the funding had on library services locally. LSTA five year plans are available online at: http://about.msl.mt.gov/Home/publications/lsta_plans.

Typically, the State Library receives our official federal LSTA award notification during the winter or early spring of the current federal fiscal year. Monies may be spent over two federal fiscal years or approximately eighteen months from the time of notification. The Fiscal Year 2015 award is \$1,059,140.

Once our federal award is confirmed, State Library staff determine how much funding is required to fund the operations of the State Library. For the current fiscal year that amount is \$807,081. The remainder of the award is then used to fund statewide projects. This year, that amount is \$252,059. The Network Advisory Council is responsible for making recommendations to the State Librarian and the State Library Commission regarding the statewide projects budget. More information about the Network Advisory Council is available online at: http://about.msl.mt.gov/commission_councils/nac.

The State Library relies heavily on LSTA funds to fund the staff and essential operations of the Statewide Library Resources Division (SLR). In recent years cost increases, including state employee pay raises and the rising cost of health insurance, have increased the amount of operational costs funded by LSTA monies, thus reducing the amount of funding available for statewide projects.

- 2) In addition to a small amount of State General Fund that the State Library uses to fund two SLR staff, State General Fund dollars fund our Statewide Resource Sharing Program. Historically, this money was distributed to libraries in the form of Interlibrary Loan reimbursements. After the amount of money available to distribute declined dramatically, in 2007 the State Library Fulfillment Task Force recommended that these monies be used to fund portions of the annual cost of the statewide OCLC Group Services Contract and the Montana Shared Catalog. That recommendation can be found online as a part of a larger set of recommendations made by the Network Advisory Council to the State Library Commission in early 2008:

http://docs.msl.mt.gov/Central_Services/Commission_Councils/network_advisory_council/archive/Fulfillment_Task_Force/Archive/2008/07/20080716nacrecs.pdf.

This recommendation resulted in changes to statute and administrative rules that govern these funds. These changes were made in 2009. Currently the State Library receives \$197,771 annually for resource sharing. \$98,885.50 is spent on each of the OCLC Group Services Contract and the Montana Shared Catalog.

Of note, State General Funds are also the source of Per Capital/Per Square Mile library state aid. These funds flow through the State Library and are tied to 22-1-327, Montana Code Annotated. Distribution of state aid is outside the scope of this task force. This program was evaluated by the State Aid task force in 2011 and 2012 and their recommendations were accepted by the State Library Commission in April 2012. Those recommendations can be found online here: http://docs.msl.mt.gov/Central_Services/Commission_Councils/Commission/Archive/2012/04/20120411staidtf_rec.pdf. Of note, their primary recommendation to increase state aid was accomplished during the 2013 Legislative Session.

- 3) The State Library receives CST funds which the State Library must use to provide 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 (15-35-108, MCA). These monies stem from the Coal Severance Tax Combined Account and are distributed through a formula further described in statute. (See below).

In the past biennium, the State Library distributed \$176,122 in federation grants and spent \$330,495 on Statewide Databases using CST monies. In the current fiscal year the amount of CST monies appropriated to the State Library became very volatile due to declining revenue projections. In the end, the State Library was forced to reduce our CST funded expenditures by approximately \$40,000. As appropriated by the 2015 Legislature, the State Library's CST funds will be reduced by approximately \$90,000 each year of the coming biennium. Given the nature of the coal industry in the state, the State Library assumes that this level of volatility and future declines in this source of funding may continue.

To request new state monies, either General Fund or CST, the State Library makes requests to the Governor through the Executive Planning Process (EPP). This process occurs in the year prior to a legislative session. Budget requests are typically sent to the Governor in May and the EPP concludes in November when the Governor issues his proposed budget. That budget then makes its way through the legislative process where the Legislature has the opportunity to approve the Governor's budget recommendations or not.

As stated above the Network Advisory Council plays an essential role in recommending how the State Library expends LSTA funds. They are also responsible for conducting RFPs for Statewide Databases and they make recommendations on new statewide pilots and projects. Typically, if the official LSTA award is received in time, the NAC takes action to recommend an LSTA statewide projects budget at their March meeting. When determining the nature of funding for various statewide projects, the NAC considers whether the funding needs represent pilots, projects or programs as defined below.

A Pilot is a one-time endeavor undertaken to learn about, test, plan for, and determine the scope of an LSTA funded effort. It requires one-time funding, use of existing staff temporarily or possibly hiring temporary staff for a defined period of time. A pilot should clearly identify benchmarks or other objectives to be met or tested. The time limit for a pilot will be determined during the initial recommendation process, after which time a pilot either concludes or moves to the status of a project.

A Project is a temporary endeavor undertaken to create a unique product or service. Planning for staffing must be done initially by MSL and shared with the NAC.

Need for the project and its feasibility must be determined by considering strategic objectives, the ability of the project to meet a current problem and its ability to create opportunities. How the project supports other ongoing work of MSL should also be determined. Duration of LSTA funding needs to be established initially, including any percentage of decline or increase over the length of the project. Part of the timeline for a project includes benchmarks to evaluate its status as a project versus a program, the ability of participating libraries to bear the full costs of the project and therefore removal of LSTA funding and the ability of MSL staff to continue to provide technical or contractual support if the project can be independently funded by participants.

A Program is a long term endeavor continued in order to provide a unique product or service considered essential to library development and a cornerstone to other statewide efforts.

More information about this evaluation criteria is available online at:

http://docs.msl.mt.gov/Central_Services/Commission_Councils/Network_Advisory_Council/Archive/2013/03/20130312pilotprojectcritmemo.pdf

The State Library Commission, as the governing body of the State Library, approves all budgets for the agency. Approval of our overall state agency budget occurs at the August Commission meeting, the first meeting of the fiscal year. The Commission also approves quarterly fiscal reports. As noted above, the Commission also approves the annual LSTA budget. Typically, this action occurs in April when the Commission considers both the LSTA (?) operating budget and the NAC recommendations for the LSTA statewide projects budget.