Central Services & State Librarian's Office Report
February and March 2016

Prepared for the April 6, 2016 Commission meeting
by Jennie Stapp, State Librarian)

This report represents accomplishments of Central Services staff: Stacy Bruhn, Carol Churchill, Sara Groves, Colleen Hamer, Tom Marino, Cindy Phillips, Kris Schmitz, Jennie Stapp, Marlys Stark and Scott Story.

The State Librarian and the Central Services staff at the Montana State Library (MSL) provide services and support to all MSL programs to ensure that all staff can efficiently conduct their work because they have access to technology, human resource management, financial expertise, promotional services and administrative leadership. To be effective, it is essential that the State Librarian and Central Services staff work with library programs to provide policy, technology and communication solutions that balance program needs with the larger library need for fair and ethical policies, transparent and accountable financial systems, integrated, secure, sustainable library technology designed to adapt to the constant, rapid pace of technology change, communication strategies that effectively engage stakeholders while making the best use of the limited staff time and financial resources available and overall administrative leadership that is collaborative, thoughtful, creative, well communicated and forward thinking.

Central Services staff includes the following employees:
- State Librarian, Jennie Stapp
- Central Services Manager, Kris Schmitz
- Accounting Tech, Carol Churchill
- Administrative Assistant, Marlys Stark
- Data Coordinator, Colleen Hamer
- Web Manager and IT Lead, Tom Marino
- GIS Web Developer, Stacy Bruhn
- GIS Database Administrator, Scott Story
- Network Administrator, Cindy Phillips
- Communications and Marketing Coordinator, Sara Groves

This work plan is built around the core goals contained in the 2012 through 2022 MSL Long Range Plan. By completing the tasks set forth within this work plan we intend to efficiently and effectively fulfill the mission of the Montana State Library.

Goal One—Content

1. MSL acquires and manages relevant quality content that meets the needs of Montana Library users.

1.1. Improve the quality of the public library statistics we collect.
The reliability and consistent quality of the data and statistics we collect annually from public libraries tell a compelling story about public library services around the state. In order to continue to improve the quality and usefulness of these data, and to ensure that libraries and State Library staff are best able to articulate these stories in a way that is transparent and authoritative, the State Data Coordinator will work with the Statewide Library Resources Manager, the Statewide Library Consultants, the State Librarian and the Public Library Statistics Task Force to more clearly define the statistics we collect, to simply reporting tools to minimize the possibility for errors, better educate librarians about how they can collect and report the necessary data, and to improve the process of quality control through staff collaboration.

As a part of the process to improve the collection of public library statistics, staff will evaluate vendor solutions that are becoming more widely used nationally, to determine if use of an off-the-shelf, statistics solution would improve the efficiency of our data management process. **(Originally reported February 2016)** Two primary vendors, Counting Opinions and Baker & Taylor, comprise the marketplace to provide online public library statistics collection and analytics. After meeting with the vendors and reviewing their software products staff determined that adopting an "out of the box" solution would not significantly improve the overall efficiency of our current statistics collection process, nor would it enhance our current public library statistics program in a meaningful enough way to warrant the additional annual cost, as well as the workload to migrate to a new system, and the need to train librarians on the use of a new system. Further, our current system is fully integrated into the Library Directory, an in-house application that we maintain, so implementation of a new system would require both our staff, and librarians around Montana, to maintain public library information in two systems, increasing workload and creating the risk that the systems become out of sync. When asked to evaluate whether or not the vendors could provide the additional functionality found in the Library Directory, in addition to the statistics module, we were told that our Library Directory is far more advanced than any other system in the country and that it would take considerable work and expense to recreate it. Based on our investigation, staff determined that statistics should remain a module of the Library Directory and the functional requirements of the statistics process have been included in the project planning for the Directory re-write.

In additional to our own evaluation of statistics vendors, the Institute for Museum and Library Services (IMLS), the federal agency to which we submit our statistics has a new vendor, AIR.

Hamer, the State Data Coordinator, is preparing for their new collection process. FY '15 public library statistics are due on May 13.

(Update: April 2016) FY '15 public library statistics have been submitted to IMLS. To submit statistics, Hamer had to work for the first time with a new national vendor selected by IMLS to administer the statistics program. Additionally, Hamer created and lead a training on the statistics process as well as available online reporting tools to librarians at the Broad Valleys Federation Meeting. The same training will be offered at the Pathfinder Federation Meeting in May.

1.2. Library Directory re-write
The Library Directory is a powerful tool used by Central Services Staff. It is used to collect and manage public library statistics, it manages registration for trainings and events, it serves as a knowledge base of library documents, etc. The current Directory application was written many years ago on software that is no longer utilized by MSL so there is a compelling reason to rewrite the Directory. Ahead of that rewrite, staff will scope the business needs of the application to improve and prioritize current functionality.
(Originally reported December 2015) Statewide Library Resources staff has completed the collection of "user stories" in order to scope and prioritize both the core functionality and additional features of the new Directory. Based on their prioritization, development work is on schedule to commence after the first of the year.
(Originally reported February 2016) Based on the significant scope of the Library Directory and the diverse user stories collected, the decision has been made to build the new Library Directory in a series of small projects. Anticipated timeline for a complete re-write is 12-18 months however staff will roll out various modules of the new Directory as they come online. As was the case with the rewrite of the Digital Atlas, staff are making use of the Agile project management process whereby they identify small development "sprints" and meet on a daily basis in small, standup, meetings to report progress, answer questions, and identify and address development concerns. A project launch meeting was held on January 25 to discuss the initial project to create the necessary authentication system to support the variety of functions or "roles" the system supports. Examples of roles range from entering and editing library location and demographic information, to registering for the Fall Workshops, to entering public library statistics, to managing continuing education credits and certification, etc.   Unlike the current system, where practical and feasible, the new Library Directory will utilize integrated technologies that we do not have to build and maintain in-house. For example, we plan to make use of the State's E-pass authentication system, rather than maintaining our own. Using E-pass will reduce the need for staff and librarians to maintain multiple passwords for different state applications and will improve the overall security of the Library Directory.

(Update: April 2016) IT staff worked successfully with Montana Interactive, the company that implements the State's eGov programs, to implement Montana ePass as the

authentication services for the new Library Directory. As MSL begins to further utilize Montana ePass patrons will be able to use a single account for the Library Directory, Digital Library services, and other State of Montana applications.

1.3. File server updates

IT Staff plan, implement, and support the file server and database environment where MSL digital content resides. Library programs continue to need increasing amounts of file storage space for their growing collections of both public information and agency records. We are currently making maximum use of the capacity of our Storage Area Network (SAN). While we should have sufficient storage space to handle existing program storage needs and anticipated requests for a few years, the library will need to develop a plan for addressing future storage needs. A holistic review of the MSL storage environment needs to be undertaken which will consider both the types of data storage available (existing data storage as well as options such as those available from the State Information Technology Services Division (SITSD) or cloud based offerings) as well as the existing demands on MSL data storage resources including space needed for the storage of raw data, production and publication datasets, records management, archiving, and backup and disaster recovery.

(Originally reported February 2016) Staff has begun to evaluate various storage options against business needs like data access and redundancy. We were initially excited when SITSD announced new data storage costs that were significantly lower than previous fiscal years however, upon verification we learned that the published rate was in error and costs would be approximately five times higher than our average annual spend for data storage and redundancy.

(Update: April 2016) After an initial error in rates, SITSD has reduced data storage costs to a level that is competitive with the cost to manage internal hardware in previous fiscal years. MSL staff and SITSD staff are continuing to discuss data storage including back-up and disaster recovery options and performance parameters for production data accessed through applications and MSL websites. Should MSL determine that SITSD storage options prove viable, we will include this service as part of our information technology fixed cost request during the 2017 legislative session. Given the Governor's and Legislative goal to move agencies to the State of Montana Data Center, this request is likely to be approved.

1.4. Database environment overhaul

In FY14/15 staff created a virtual database environment that consists of development, production, and publication servers. During FY16 we will migrate remaining databases off of our two remaining physical servers. This will allow us to retire or repurpose two physical servers. We will continue working with these stakeholders to minimize the impact of these changes and we are confident that this project can be completed by the end of the calendar year.

(Originally reported February 2016) The database migration was completed on time by the end of the calendar year. Not only does accomplishment mean that we are able to support our databases in a more current database environment, it represents the achievement of a long-term goal to fully virtualize our MSL's server environment. With the exception of the Montana Shared Catalog servers, all MSL servers are now virtualized and can easily be ported to different on or offsite host hardware when hardware is refreshed or in the event of a disaster.

Goal Two—Access

2. MSL provides libraries, agencies, and its partners and patrons with convenient, high quality, and cost-effective access to library content and services.

2.1. MSL Web updates

With more and more library content being made available digitally, the primary point of access for this information is increasingly becoming the library web site and web based applications made available through the website. The next step for the MSL web site is to review and update the overall design of msl.mt.gov and the top level program pages using the recent proposal from Edge Marketing and Design. A sneak peak of this design is planned for the Commission at their December commission meeting. Migration from DNN, the State's enterprise web content management system (CMS) to an in-house CMS is also being considered in FY16. This migration would use existing MSL hardware and software and will allow MSL IT Staff to have full control of the MSL web infrastructure using .NET, CSS and Bootstrap and would also allow MSL Staff to administer our backend SQL Server databases for our websites.

(Originally reported December 2015) Staff completed the development of a new in-house CMS. The migration was much simpler than anticipated and, given the similarities to the DNN CMS, staff were easily able to adapt to the new editing environment. Rollout of a new MSL website that integrates recommendations from Edge Marking and Design is ahead of schedule. The current launch date is scheduled for December 7, 2015.

2.2. Application updates

In addition to program web content, MSL supports a number of web based applications to assist with data discovery and data access. The GIS Web Developer continues to update library web applications that reside on outdated technology. The goal for this year is to convert the remaining applications, including the Library Directory, developed in classic ASP to ASP.Net.

The planning phase for the Library Directory, will begin this fall. Updating the Library Directory will demand a high level of collaboration between IT and the Statewide Library Resources (SLR) program, with SLR taking the lead as the project owner and the GIS Web Developer doing the majority of the programming work. A rewrite of the current Cadastral application should be considered at the end of FY16 or beginning of FY17.

(Originally reported February 2016) GIS staff have begun to scope a rewrite of the Cadastral Application (see the Digital Library report for more information).

2.3. ArcGIS Server service migration

Also supporting the MSL data access efforts is the MSL ArcGIS Server environment. ArcGIS server is a software tool for creating web mapping services. Many different types of web mapping service can be created with ArcGIS Server. The most common are basic map services that are used to support MSL web applications. By the end of calendar year 2015, the GIS DBA will migrate remaining web services to the 10.3 environment. This will allow us to repurpose one physical server that supports older ArcGIS Server services. Decommissioning the old ArcIMS server technology is dependent only on remaining Montana Natural Heritage Program (MTNHP) needs; a single feature service used by the Montana Department of Transportation (MDT). Once a decision to decommission ArcIMS is made, the final virtual ArcIMS server can be shut down.

(Originally reported February 2016) With the exception of the decommissioning the ArcIMS server, this migration has been completed. Staff continues to work with the vendor Esri, MTNHP and MDT to evaluate options to serve the data made available through the feature service. Current ArcGIS feature services fail under the large amount of data serviced by MTNHP and, to date, Esri has not been able to offer a satisfactory solution.

2.4. IT Security Planning

With much of our data intended for public access, from a security perspective our primary concern is not limiting user access to our resources. Even so, it is important to properly secure our IT systems to ensure data that needs to be secured is, and to remain in compliance with State Information Technology Services Division (SITSD) standards so that we can continue to leverage the resources of the state network to provide patrons with the best available access to our collections.

In the last year SITSD has released an exhaustive set of Baseline Security Controls for state agencies to follow to ensure the security of the state network. MSL IT staff will review this document to identify which, if any controls we are not in compliance with. Once this review is complete, we will make recommendations to library management for correcting or improving the security of our IT environment.

In addition to recommendations that come out of the review of baseline security controls, IT staff has already identified a number of specific security related tasks for the coming year. With updates to program file server environment staff will continue to clean up the security groups that we use to control access to data on the file servers. Staff is also researching systems for managing administrative accounts in an organizational setting and plan to develop and implement a new administrative login policy in the coming months.

Goal Four—Consultation and Leadership

4. MSL provides consultation and leadership to enable users to set and reach their goals.

4.1. Broadband planning

Increased access to higher speed, more affordable broadband continues to be a critical need voiced by libraries, other community anchor institutions, the economic development community and other sectors of the State. The State Librarian will continue to build opportunities to bring libraries to the table to ensure that, as broadband planning develops at the state level, libraries benefit. This work includes participation on the Governor's Education Superhighway initiative work group and additional efforts that may form following the release of the recommendations of the Main Street Montana Interconnectivity and Telecommunications Key Industry Network (KIN) anticipated this fall. The State Librarian will also be active at the national level as the Chair of the Schools, Health and Libraries Broadband Coalition (SHLB) Board of Directors and as a member of the American Library Association/Chief Officers of State Library Agencies Library E-Rate Planning & Assessment Project advisory council. Through this project, the State Librarian will be able to advise on and evaluate the development of best practices for the implementation of various elements of the E-rate modernization order of 2014. Developed over two years, these best practices will likely result in financial benefits to Montana libraries in the form of increased use of E-rate. **(Originally reported February 2016)** At the November meeting of SHLB, I elected to serve another year as Chair. The Coalition continues to focus on fundraising and organizational planning. If current fundraising milestones are achieved, the executive director who currently works under contract, will move to full time before the end of the year.

In December the Mainstreet Montana KIN released its recommendations to the Governor. Recommendations include:
1. Creating an interactive broadband map;
2. Commitment of $25M in funds from the Legislature to support public-private broadband deployment projects;
3. Legislation to make the permitting process more friendly and efficient for broadband deployment; and
4. Creating a Broadband Advisory Task Force.

Action to adopt these recommendations, in my view, would represent a positive step forward in developing a statewide broadband strategy. The full KIN report is included in the Commission meeting packet.

In considering how the State Library may support increased broadband access and affordability to all Montana libraries, staff have begun to evaluate public library data to determine how much broadband would be required to support a 5Mb/s per device model under a single statewide procurement vehicle. Based on the number of devices (staff and public access computers) and average wireless sessions reported in the FY '14 public library statistics, total bandwidth needed to reach this threshold is only 8-10 Gbps. We have begun working with the Montana Telecommunications Association to evaluate an affordable cost model for service and will then consider funding options including E-rate and a state budget request.

4.2. Cooperative public education programs
The Communications and Marketing Coordinator will encourage local libraries to participate in cooperative public education programs. This work involves coordinating and motivating librarians and trustees, organizing and publicizing projects and events, and coordinating the statewide distribution of information and news releases related to library activities and issues. The Communications and Marketing Coordinator will maintain regular contact with information specialists at other public agencies, including local organizations that have related interests. She will arrange for meetings, exchanges of information and documents, and possible joint news releases, or other communications. She will provide or arrange for training for librarians and trustees in how to use the promotion material and campaign strategies in local communities and will answer questions from others regarding the materials and the campaign.

Goal Five—Collaboration

5. MSL promotes partnerships and encourages collaboration among its users.

5.1. Ready 2 Read program development and enhancement

The Communications and Marketing Coordinator will continue to develop the Ready 2 Read program through outreach and development of collaborative relationships. This work includes continued marketing and outreach efforts to Governor Bullock's office and administration to help them understand how MSL can be of service to their programs and agencies. The Communications and Marketing Coordinator serves as a consultant to libraries with Ready 2 Read programs to assist them with troubleshooting, development of their library's programs, address issues, and more. She represents Montana libraries on Montana's Governor-appointed Best Beginnings Advisory Council (BBAC) to help other BBAC partners recognize and

understand that libraries are an integral part of how the educational, emotional, and social developmental needs of young children are met in communities throughout Montana. **(Originally reported December 2015)** The bi-annual Ready 2 Read Rendezvous was held at the Bozeman Public Library on October 9 – 11, 2015. A total of 44 librarians from around the state participated, representing 31 different libraries. All librarians who attended represented public, school/community libraries, or tribal libraries.

On Friday, October 9, Jeri Robinson, Vice-President of Education and Family Learning at the Boston Children's Museum, was the featured speaker. Jeri presented to the group on Massachusetts' Race to the Top Early Learning Challenge Grant and how museums and libraries worked together – along with various state agencies, preschools, and childcare centers – to support kindergarten readiness. A grant from First Interstate BancSystem Foundation paid for Jeri's travel expenses and stipend.

On Saturday, our speakers were Marisa Conner, Youth Services Coordinator at Baltimore Public Library in Maryland, and Dorothy Stoltz, Community Outreach and Programming Coordinator at Carroll County Libraries in Maryland. Marisa and Dorothy are also co-authors of the book, "The Power of Play: Designing Early Learning Spaces".   Dorothy and Marisa presented key methods and knowledge that librarians need to transform any library space into a dynamic space for young children to play and learn. They explored ways for librarians to make good decisions regarding practical design, materials and resources to create interactive play spaces for early learning. They shared success stories from their own communities and around the country of how play works in the library and demonstrated how libraries become community partners in preparing children for success in school.

On Sunday, attendees worked together to identify what types of services our communities need in regards to early learning and child development. Then we worked to identify what services and programs our libraries offer to support these needs and – if there's a need identified that is not being met by anyone – could the library fulfill that need or partner with an organization to solve it? We also committed to our year-long projects that will help our libraries more effectively meet the needs of our communities regarding early childhood. Finally, we worked together to develop a mentoring program based on what we're learning in Supercharged Storytimes. Newer librarians were paired with librarians who have been doing this for a long time and with librarians who were close in proximity to them so that they could work together to evaluate one another's storytimes and other programming in order to offer support, feedback, and ideas.

Mind in the Making

In November, Groves attended a Mind in the Making training that was specifically designed to help museums and libraries think about how they can offer programming and information on

the seven essential life skills that every child needs. This was a train-the-trainer event and now Groves is in the process of adapting this training for Montana libraries and museums. The seven skills include: 1) Focus and self-control; 2) Perspective taking; 3) Communicating; 4) Making Connections; 5) Critical thinking; 6) Taking on challenges; and 7) Self-directed, engaged learning.

(Update: April 2016) Groves provided in-person staff training on "The Mind in the Making" for SLR staff. The training emphasized the aspects of the MITM curriculum that relate most to MSL staff, such as the "Learning Together Standards of Engagement for Museums and Libraries"; goal-setting; and facilitated learning. Groves also began instruction for attending staff on the seven modules of MITM, which are highlighted above. While MITM's main focus is on children from birth – 8 years old, all of these skills translate to adults. In the trainings, Groves is focusing on how these skills are important in our adult lives and how to develop them or strengthen these skills with simple practices. Groves is working with Jo Flick to provide the final five training modules online. Groves is also looking at ways to introduce the MITM training to libraries and museums throughout MT.

Ready 2 Read Montana Texting Program

On October 19, MSL launched a new statewide texting program designed to reach parents and caregivers with messages related to early literacy skills development via text. The Ready 2 Read text program is free to Montana families. Participants do not need to be a patron of any library to participate. The program is designed for parents and caregivers of four year-olds, though families with other pre-school age children are welcome to join.

Participants will receive three messages per week designed to help parents and caregivers build early literacy skills in their four year-old through easy practices families can do every day at home, like reading, singing, talking, playing, and writing together.

The Ready 2 Read text program is based on research developed by Stanford University that found if parents of preschoolers received text messages focusing on early literacy skill development, those children scored significantly higher in kindergarten assessments.

Summer Reading Program

In 2015, the State Library conducted its' first-ever assessment of summer reading programs in the state. Findings indicate that summer reading is an important library service in communities statewide with 97% of survey respondents saying that they offer a summer reading program.

Survey respondents were asked what type of summer reading program they offered and encouraged to check all that apply since many libraries offer multiple versions of a summer reading program targeted at different audiences. Results indicate that 74% of respondents offer an early literacy program; 98% offer a children's summer reading program; 63% offer a teen summer reading program; and 37% offer a summer reading program specifically for adults.

Approximately 91% of survey respondents use the Collaboartive Summer Library Program manual that is provided to them from the State Library (through LSTA funds). The number of participants in the respondents' summer reading programs ranged from 25 to thousands with the bulk of participants identified as children. Libraries identified staffing and funding as two of their biggest challenges for their summer reading programs and great participation from their communities as one of their big successes. Survey respondents also identified some ways for the State Library to assist them with their summer reading program, such as purchasing statewide advertising, and providing performers to travel from library to library.

Goal Six—Sustainable Success

6. MSL is efficient and effective (measured against partner and patron outcomes) and is engaged in fulfilling its mission.

6.1. Digital Library reorganization

The State Librarian will work closely with the Digital Library Administrator and the Central Services Manager to manage the reorganization of the Digital Library. Key to the success of the reorganization is a continued and deepening focus on our users as articulated in the project charter. New lead staff identified during the reorganization also need support and training as the develop their skills as new supervisors.
(Originally reported December 2015) Digital Library leads have completed initial supervisory training offered by the State Professional Development Center. Schmitz worked closely with Stapp and Hammer to create a fully developed Digital Library budget structure and all prior FY '16 expenditures were moved into the new budget structure. She and Churchill also updated the state budgeting and human resources systems to accurately reflect the new organizational structure. Finally, Schmitz used this opportunity to cross-train Hamer as a backup in the financial office.
(Originally reported February 2016) The 2nd quarter financial report presented to the budget fully reflects the newly adopted budget for the reorganized Digital Library.

6.2. Library Development Study Task Force recommendations

The State Librarian and the Statewide Library Resources Administrator, in collaboration with task force Chair, Bill Cochran, will lead the Library Development Study Task Force through a process of information gathering to formulate recommendations to the State Library Commission that will focus library development services and resources on 21st century library outcomes. Final recommendations are due to the Commission in February 2016 in time to inform the FY'16 Library Services Technology Act award and the EPP process.

(Originally reported December 2015) The Task Force, with support from State Library staff, completed a series of eight listening sessions and received comments from nearly 80 respondents to an online survey. Many of the respondents represented multiple people as the survey was completed jointly by library boards around the state. The Task Force met on November 19 to draft their formal recommendations to the Commission which will be presented at the December 9 Commission meeting. Staff is very excited by the nature of the recommendations which are very outcome-based and can be used to prioritize and benchmark library development services.

(Originally reported February 2016) Staff will present the final recommendations of the Task Force to the Commission at the February meeting. Based on Commission action, staff will begin to formulate a plan for the creation of benchmarks making use of the Network Advisory Council and Commission in that process. Staff and the NAC will also be asked to make recommendations about how to allocate existing resources and to make suggestions for new budget requests in order to implement the recommendations.

6.3. Biannual Executive Planning Process

The State Librarian, senior managers, the Communication and Marketing Coordinator, advisory committee members and the Commission will work together to create and present compelling arguments for ongoing and increased legislative support to be reflected in Executive Planning Process (EPP) priorities. These priorities will be presented to the Commission in April 2015.

(Originally reported February 2016) The Governor's Office of Budget and Program (OBPP) planning announced their timeline for the EPP process. EPP requests must be submitted to OBPP by May 30. This timeline may necessitate the need for a teleconference Commission meeting to approve final EPP items ahead of the June meeting. Additionally, Stapp and Schmitz attended a meeting with Budget Director Villa and Montana Library Association representatives Judy Hart and Nanette Gilbertson to discuss the need to update the statutory appropriation for state aid (22-1-327 MCA) in the 2017 session. At Director Villa's direction, the State Library will prepare legislation, extending the term of the statutory appropriation to a date yet to be determined. This legislation will be submitted to the Governor's Office as part of our EPP request. It is important to note that the state aid funding would remain tied to the statutory appropriation rather than being included in House Bill 2, the state budget bill.

(Update: April 2016) Schmitz completed training on the State Budget System (IBARS) on creating standard budget journal and reporting levels to capture FY 17 legislatively appropriated budget as the starting point for the 2019 biennium budget. '

Additionally, Stapp and Schmitz met with staff from the Department of Administration (DOA) to evaluate space options within MSL. MSL staff desires to enact plans to remodel the lower level of the library to make better use of the overall space and enhance our conference room facilities. To move forward, DOA needs to identify new tenants to occupy space that would be vacated by MSL. To date no tenants have been identified by DOA will continue to evaluate options.

6.4. Internal Control policy audit

To promote adequate systems of Internal Control the Central Services Manager will work with key staff and partner agencies to audit, monitor and update the current Internal Control Policy. This work ensures that the State Library is able to function effectively and transparently and that we achieve the highest levels of financial accountability.
(Originally reported February 2016) The annual Internal Control review is underway.

6.5. Biannual financial audit

The Central Services manager will coordinate the Legislative Audit for FY 14 & FY 15. She will work with the Legislative auditors to gather data, answer questions and provide needed backup to demonstrate that MSL is an effective and efficiently run agency and good stewards of the State resources.
(Originally reported December 2015) Schmitz welcomed the Legislative Auditors to the State Library and work has begun on the Financial Audit for FY 14 & FY 15. Their initial visit allows the auditors to plan for their formal audit which will take place in January. Significant focus is being placed on the addition of the Montana Land Information Act funds to the State Library budget. This biennium represents the first time those funds are material to our budget as opposed to being contracted dollars so further scrutiny is warranted.
(Originally reported February 2016) Legislative Auditors resumed their work for two weeks in January and may return again in February to conclude the audit.

(Update: April 2016) Schmitz completed field work and write ups with Legislative Auditors to complete the financial audit. We currently await the final report and will draft a response to any recommendations or findings.   The audit will be heard by the Legislative Audit Committee at a date to be determined. At that time the audit will become part of the public record.

6.6. Systems and Hardware Updates

Data Center Virtualization

MSL has acquired the hardware needed to complete the process of virtualizing the MSL data center in the coming year. It has taken several years, but we are very close to completing this transition. Most of the remaining physical servers already have virtual server replacements up and running and we just need to migrate the remaining data or services to the new servers. This is the case for AGS01, AGS02, and SQLINT (database and ArcGIS Server machines).

IT Back-up and Disaster Recovery

With the completion of the virtualization process, updates to our file server environment and our web applications nearing completion, this is a good time to evaluate our IT Back-up and Disaster Recovery systems. Our current backup and disaster recovery model is more of an ad-hoc approach that has been developed over time to address needs as they arose. A model that looks at overall agency needs and the resources available should provide more consistent and efficient support for the library. This project should be part of the larger review of the MSL storage environment.
(Originally reported February 2016) Refer to updates on goals 1.3, 1.4, and 2.3.

Planning a move to the State Data Center

Another opportunity that IT staff is now in a position to pursue, now that our server environment have been virtualized, is the migration of some (or all) of our servers to the State of Montana Data Center (SMDC) or other third party server hosting environment. We are currently at capacity in the MSL Data Center (MSLDC) for both network connections and backup power. Moving some of our servers to an alternative data center would free up both power supplies and network ports. Moving our public web resources - primarily MSL web sites, application servers, and FTP servers – out of the MSLDC will also reduce the amount of external traffic on the library network, freeing up those resources for internal needs. Finally, the SMDC has a level of monitoring and support that we are unable to provide at the MSLDC (it is unclear what other third party hosting options would be able to provide related to this). While this is important for all of our IT resources, it is especially important for the web resources that we want to make available to patrons on a 24x7 basis.
(Originally reported February 2016) Staff has begun testing a virtual machine at the State of Montana Data Center (SMDC) with the goal of moving our MSLWEB server to the SMDC. MSLWEB resides in the DMZ and serves as a proxy to our internal .NET applications and also hosts static HTML and classic ASP sites. If successful, this move will allow MSL IT staff to use the easily configurable Netscaler to replace the Apache Reverse Proxy currently on MSLWEB, receive 24/7 support at the SMDC and reduce future hardware costs.

6.7. IT Asset Management

With input from IT and other library staff, the GIS Web Developer has finished an IT Asset Management System and will continue to add additional functionality as needed. The IT Asset Management System is available to all MSL staff through the library intranet site. It serves as an inventory and tracking tool for hardware, software, applications, web services, and possibly raw data as well as published data products. An On Call dashboard will developed this year that will streamline On Call Alerts and Processes for IT Staff on call.

6.8. IT Policies

In an effort to improve communication between IT staff and library programs staff will review and document several agency IT policies in the coming year. One of these policies will be the agency on-call policy which was developed to ensure that MSL IT systems are monitored over the weekends. While the existing policy has been effective for several years, it was developed prior to the creation of the MSL IT program. With the reorganization that has occurred in the library over the last couple of years and updates to our IT systems, it is important that the on-call policy be reviewed and updated so that it continues to meet the library's needs.
(Originally reported February 2016) With the release of modern applications to replace the old Bundler, Topofinder and Digital applications, and now that the virtualization of the MSL data center is complete, staff can almost fully support on-call needs from anywhere. With this in mind, staff is testing the ability to support weekend on-call without the need to be physically in Helena. Further evaluation of data and user business needs will be conducted to determine what additional recommendations can be made to improve the agency on-call policy. Final recommendation for a revised policy will be brought to the Commission at a later date.

6.9. Digital Library branding and marketing

With input from the Digital Library Division, the Communications and Marketing Coordinator will prioritize key programs and services for development of marketing plan and corresponding marketing materials that will help re-brand Library Information Services and the Geographic Information Program as part of the overall Digital Library reorganization. The Communications and Marketing Coordinator will design and produce or manage the design and production of program informational and educational materials such as brochures, newsletters, magazine and newspaper articles, radio spots, on-line information services (e.g., Internet web page) and videos to provide pertinent, current and technically accurate information to the public about MSL's digital library services.

6.10. MSL-wide strategic planning

Outcomes from the Digital Library reorganization and the recommendations from the Library Development Task Force will be used to initiate a strategic planning process that will be led the Commission and supported by the State Librarian and staff. The strategic planning process will commence during the spring of 2016.

(Update: April 2016) At the direction of the Commission Stapp issued a limited solicitation to select a facilitator to guide the strategic planning process. Solicitations are due March 31, 2016 and will be reviewed at the April Commission meeting.

<div align="center"><u>**Additional updates, February 2016:**</u></div>

The MSL Safety Committee (Stapp, Stark, Maxell, Briggs and Kammerer) completes an annual safety walk through of the MSL building to identify and correct any safety concerns. This year the committee was accompanied by a safety consultant from Risk Management. Her expertise helped to better inform the committee about safety concerns that we might identify for OSHA compliance.   She was very complimentary of the overall safety of our building and staff work areas. She identified the need for an additional exit sign, the need for GFCI outlets in the staff room and misuse of electric extension cords. All deficiencies that she reported have been corrected and an overview of the safety walk through and MSL response was shared with staff.

Schmitz is reviewing the staff handbook and Commission policies and will make recommendations for updates to policies as necessary. This work will likely result in modification to our elimination of Commission policies. Policies will be brought to the Commission for review and action at future meetings.

MSL was notified by OBPP of the need to again cut our coal severance tax (CST) funding, this time by $46,000 over the biennium. Schmitz met with OBPP and staff from the Department of Agriculture and the Department of Natural Resources and Conservation (the two other agencies that receive funding through the CST shared account) to submit our plans for this reduction. Because MSL spends almost all of our CST funds on contracts at the beginning of the fiscal year, we will have to make up the reductions in FY 17. We know that we are nearing the end of our state publications digitization contract so we plan to reduce that contract from $40,000 annually to $20,000. The remainder of the necessary reduction will be taken from the Library Development budget as proposed for Commission action. The chart from Legislative Services that describes the flow of CST monies is included in this report as requested by the Commission.

Montana's Coal Severance Tax
Updated September 2015

Coal Severance Tax Percentage Allocations

Beginning FY 2016

Total Coal Tax Collections

Coal Severance Tax Trust	50.00%
Long-range Building Program	12.00%
Montana Growth Through Agriculture / Conservation Districts / State Library Commission	5.46%
Coal Natural Resource*	5.80%*
State Parks Trust	1.27%
Renewable Resource Debt Service	0.95%
Cultural Trust	0.63%
Coal & Uranium	$250,000
General Fund	The Remainder

*Allocation increased from 2.90% for FY 2016 and 2017

Updated by the LFD
October 2015

Coal Trusts* Earnings and Severance Tax Revenue Collections
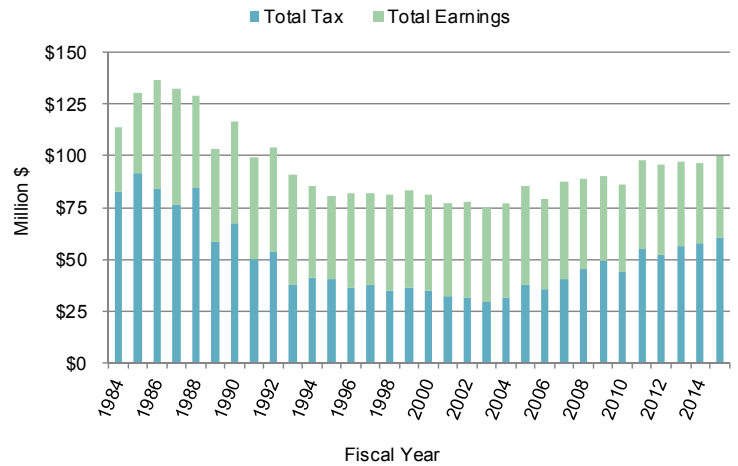
■ Total Tax ■ Total Earnings

*Education, FWP, Arts, Permanent (original trust), Treasure State Endowment, Treasure State Endowment Regional Water, Big Sky Economic Development

Coal Severance Tax Trust Fund Investments - $981.785 Million (June 30, 2015)

- Trust Funds Bond Pool: $792.3 M; 80%
- Other*: $8.4 M; 1%
- In-State Investments: $97.5 M; 10%
- Other Loans: $36.5 M; 4%
- Short-term Invest. Pool: $47.1 M; 5%

Coal Severance Tax Revenue

— Total Tax — GF/SEA — Perm Trusts — Local Impact
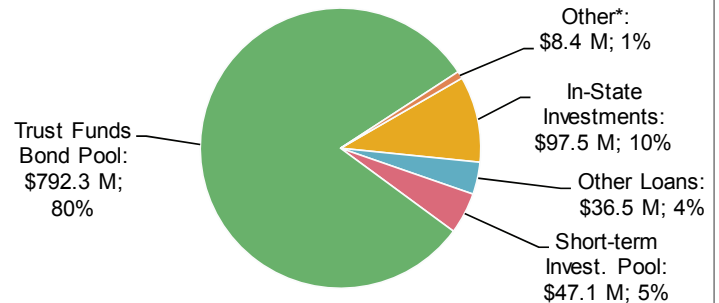
Coal Severance Tax Trust Fund Balances $981.785 Million (June 30, 2015)

- Permanent Trust: $527.9 M; 54%
- Treasure State Endowment: $253.8 M; 26%
- Coal Tax Bond Fund: $9 M; 1%
- Perm. Trust Income Fund: $0.1 M; 0%
- TSE Income Fund: $10.9 M; 1%
- TSE Regional Water System: $86.1 M; 9%
- TSE Regional Water Income Fund: $2 M; 0%
- Big Sky Economic Development: $82.3 M; 8%
- Big Sky Econ. Dev. Income Fund: $9.5 M; 1%

Coal Production & Price
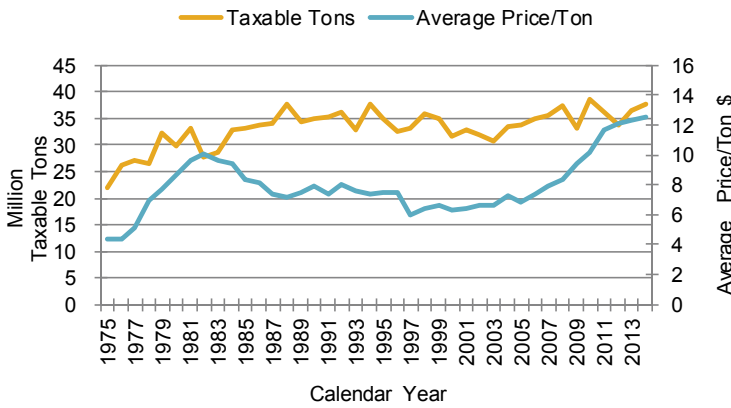
Source of Coal Trusts Earnings
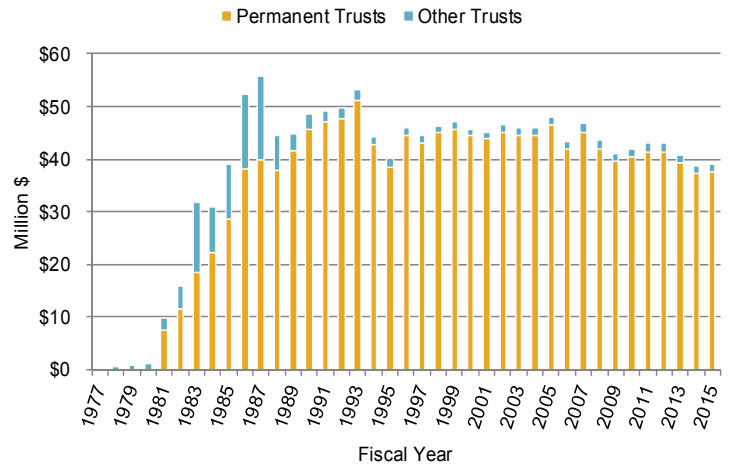
Coal Production and Price				
Calendar Year	Taxable Coal Production Million Tons	Percent Change	Coal Price CSP	Percent Change
1975	22.076		$4.415	
1976	26.226	18.80%	$4.344	-1.60%
1977	27.205	3.73%	$5.154	18.63%
1978	26.418	-2.89%	$6.951	34.87%
1979	32.350	22.45%	$7.724	11.12%
1980	29.752	-8.03%	$8.686	12.46%
1981	33.188	11.55%	$9.673	11.37%
1982	27.768	-16.33%	$10.065	4.04%
1983	28.609	3.03%	$9.650	-4.12%
1984	32.848	14.82%	$9.464	-1.92%
1985	33.187	1.03%	$8.326	-12.03%
1986	33.648	1.39%	$8.147	-2.15%
1987	34.053	1.20%	$7.347	-9.82%
1988	37.678	10.64%	$7.209	-1.88%
1989	34.469	-8.52%	$7.484	3.82%
1990	34.984	1.49%	$7.913	5.73%
1991	35.325	0.98%	$7.415	-6.29%
1992	36.248	2.61%	$8.014	8.08%
1993	32.911	-9.21%	$7.597	-5.20%
1994	37.670	14.46%	$7.430	-2.20%
1995	35.009	-7.06%	$7.539	1.46%
1996	32.617	-6.83%	$7.444	-1.26%
1997	33.266	1.99%	$6.001	-19.38%
1998	35.945	8.06%	$6.467	7.77%
1999	35.039	-2.52%	$6.588	1.87%
2000	31.784	-9.29%	$6.267	-4.88%
2001	32.961	3.70%	$6.461	3.09%
2002	31.981	-2.97%	$6.583	1.90%
2003	30.802	-3.69%	$6.681	1.48%
2004	33.421	8.50%	$7.241	8.38%
2005	33.632	0.63%	$6.889	-4.86%
2006	34.904	3.78%	$7.339	6.54%
2007	35.638	2.10%	$7.949	8.31%
2008	37.373	4.87%	$8.327	4.75%
2009	33.153	-11.29%	$9.443	13.41%
2010	38.690	16.70%	$10.219	8.21%
2011	36.321	-6.12%	$11.639	13.90%
2012	33.870	-6.75%	$12.150	4.39%
2013	36.540	7.88%	$12.297	1.21%
2014	37.810	3.48%	12.558	2.12%
Average	33.184		$7.977	
CSP = Contract sales price				

Maximum amounts are highlighted.

*Note: Permanent trusts are the original trust, Treasure State Endowment, Treasure State Endowment Regional Water, and Big Sky Economic Development. Other trusts are Education, FWP and Arts.

Coal Trusts				
Source of Earnings (millions)				
Fiscal Year	Permanent Trusts	Other Trusts	Total Earnings	Percent Change
1977	$0.000	$0.067	$0.067	
1978	0.000	0.517	0.517	673.5%
1979	0.000	0.767	0.767	48.4%
1980	0.000	1.117	1.117	45.7%
1981	7.422	2.228	9.650	763.7%
1982	11.542	4.349	15.892	64.7%
1983	18.467	13.144	31.611	98.9%
1984	22.291	8.495	30.786	-2.6%
1985	28.672	10.187	38.859	26.2%
1986	38.168	14.019	52.187	34.3%
1987	39.925	15.789	55.714	6.8%
1988	37.693	6.827	44.520	-20.1%
1989	41.457	3.430	44.887	0.8%
1990	45.671	2.899	48.570	8.2%
1991	46.999	2.044	49.043	1.0%
1992	47.596	2.181	49.777	1.5%
1993	51.248	1.927	53.175	6.8%
1994	42.654	1.546	44.199	-16.9%
1995	38.485	1.636	40.121	-9.2%
1996	44.449	1.621	46.070	14.8%
1997	43.007	1.505	44.513	-3.4%
1998	44.963	1.278	46.241	3.9%
1999	45.572	1.381	46.953	1.5%
2000	44.351	1.215	45.566	-3.0%
2001	43.831	1.369	45.200	-0.8%
2002	45.053	1.411	46.465	2.8%
2003	44.367	1.429	45.796	-1.4%
2004	44.458	1.466	45.924	0.3%
2005	46.630	1.418	48.048	4.6%
2006	41.866	1.419	43.285	-9.9%
2007	45.098	1.571	46.669	7.8%
2008	42.025	1.609	43.634	-6.5%
2009	39.513	1.490	41.003	-6.0%
2010	40.469	1.542	42.011	2.5%
2011	41.356	1.574	42.930	2.2%
2012	41.374	1.602	42.976	0.1%
2013	39.258	1.486	40.744	-5.2%
2014	37.164	1.410	38.574	-5.3%
2015	37.524	1.425	38.949	1.0%
Total	$1,370.618	$122.391	$1,493.009	

Maximum amounts are highlighted.
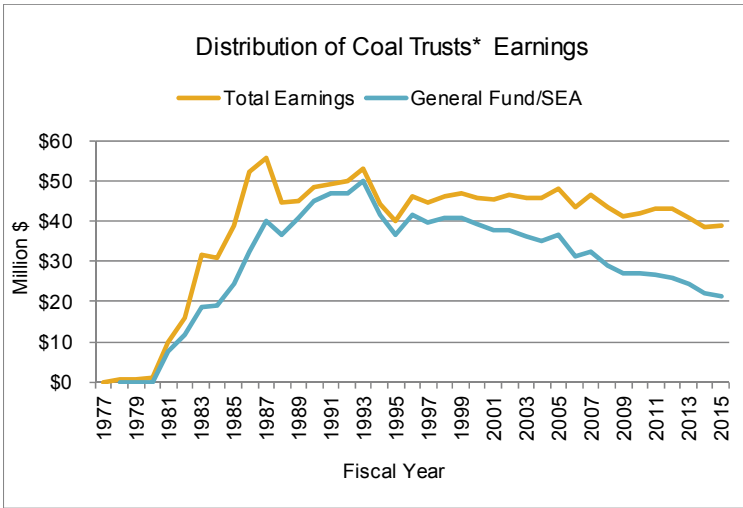
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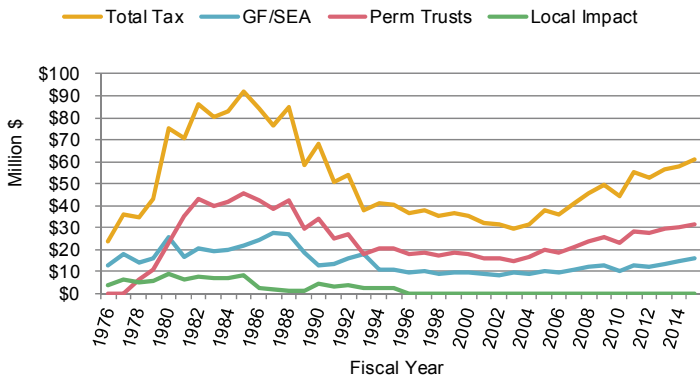## Distribution of Coal Trusts* Earnings

*Education, FWP, Arts, Permanent (original trust),
Treasure State Endowment, Treasure State Endowment
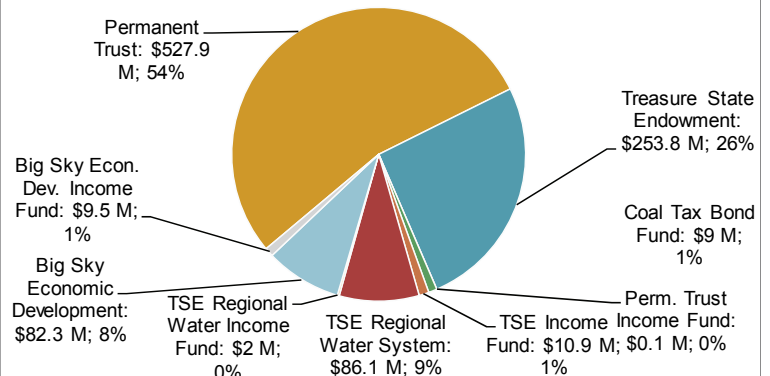Regional Water, and Big Sky Economic Development

Cumulative Coal Severance Tax Revenue

From Fiscal 1976 to 2015

Cumulative Coal Severance Tax Revenue and Interest Earnings

From Fiscal 1976 to 2015

Coal Severance Tax Distributions (millions)				
Fiscal Year	**Gen. Fund/ SEA**	**Permanent Trusts**	**Local Impact**	**Education Trust**	**Other**
1976	$12.790	$0.000	$3.856	$2.203	$5.116
1977	17.953	0.000	6.284	3.591	8.079
1978	14.052	6.268	4.799	2.742	6.511
1979	16.008	10.672	5.399	3.085	7.524
1980	25.433	23.024	9.030	8.996	8.642
1981	16.900	35.208	6.161	7.042	5.105
1982	20.685	43.093	7.541	8.619	6.249
1983	19.211	40.022	7.004	8.004	5.803
1984	19.878	41.412	7.247	8.282	6.005
1985	22.020	45.874	8.028	9.175	6.652
1986	24.212	42.109	2.527	8.422	6.948
1987	27.395	38.273	2.021	0.000	8.858
1988	27.177	42.319	1.287	0.000	13.855
1989	18.805	29.283	0.890	0.000	9.587
1990	13.024	33.935	4.513	5.158	11.239
1991	13.518	25.229	3.355	0.000	8.356
1992	15.778	27.057	3.599	0.000	7.680
1993	17.744	17.741	2.360	0.000	0.337
1994	11.046	20.594	2.739	0.000	6.821
1995	10.828	20.208	2.688	0.000	6.693
1996	9.714	18.130	0.000	0.000	8.416
1997	10.111	18.870	0.000	0.000	8.760
1998	8.849	17.523	0.000	0.000	8.674
1999	9.284	18.384	0.000	0.000	9.100
2000	9.502	17.735	0.000	0.000	8.233
2001	8.663	16.169	0.000	0.000	7.505
2002	8.469	15.807	0.000	0.000	7.338
2003	9.722	14.712	0.000	0.000	4.990
2004	8.643	16.372	0.000	0.000	6.530
2005	10.312	19.532	0.000	0.000	7.790
2006	9.597	18.591	0.000	0.000	7.634
2007	10.919	21.154	0.000	0.000	8.686
2008	11.894	23.527	0.000	0.000	9.910
2009	13.028	25.724	0.000	0.000	10.812
2010	10.322	22.928	0.000	0.000	10.927
2011	12.883	28.530	0.000	0.000	13.558
2012	12.350	27.373	0.000	0.000	13.019
2013	13.265	29.362	0.000	0.000	13.947
2014	14.745	29.934	0.000	0.000	12.998
2015	16.063	31.603	0.000	0.000	13.226
Total	**$582.793**	**$974.281**	**$91.326**	**$75.319**	**$338.112**

Maximum amounts are highlighted.
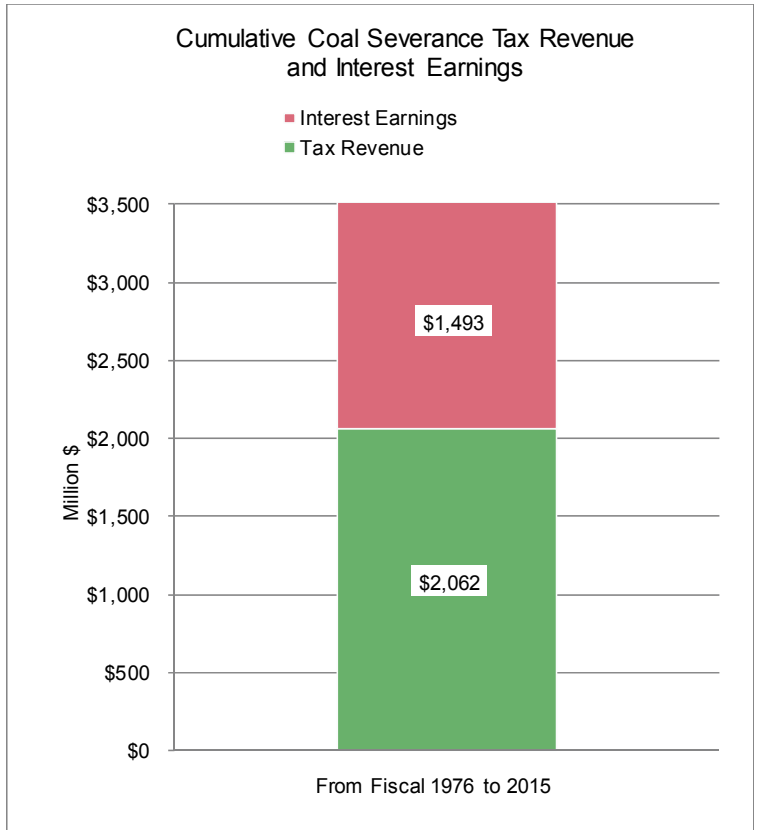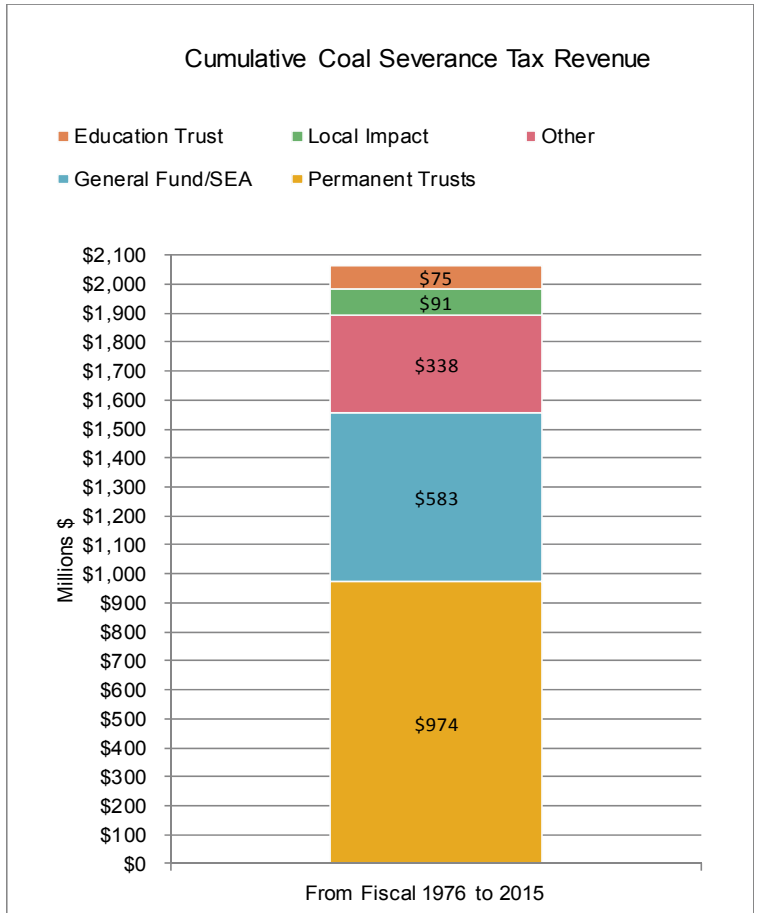
Coal Severance Tax Trust Fund Balances Fiscal 2015 (millions)

Permanent Trust	$527.94
Treasure State Endowment	$253.83
Perm. Trust Income Fund	$0.14
Coal Tax Bond Fund	$9.03
TSE Income Fund	$10.86
TSE Regional Water System	$86.08
TSE Regional Water Income Fund	$2.05
Big Sky Economic Development	$82.29
Big Sky Econ. Dev. Income Fund	$9.55
Total	$981.78

Coal Severance Tax Trust Investments Fiscal 2015 (millions)

In-State Investments	$97.51
Loans	$36.48
Short-term Investment Pool	$47.10
Trust Funds Bond Pool	$792.31
Other (receivables, payables)	$8.39
Total	$981.78

Coal Severance Tax Revenue (millions)

Fiscal Year	Total Tax	Percent Change
1976	$23.965	
1977	35.906	49.8%
1978	34.372	-4.3%
1979	42.689	24.2%
1980	75.125	76.0%
1981	70.415	-6.3%
1982	86.187	22.4%
1983	80.045	-7.1%
1984	82.823	3.5%
1985	91.749	10.8%
1986	84.217	-8.2%
1987	76.547	-9.1%
1988	84.638	10.6%
1989	58.566	-30.8%
1990	67.871	15.9%
1991	50.458	-25.7%
1992	54.114	7.2%
1993	38.181	-29.4%
1994	41.201	7.9%
1995	40.416	-1.9%
1996	36.261	-10.3%
1997	37.740	4.1%
1998	35.045	-7.1%
1999	36.767	4.9%
2000	35.470	-3.5%
2001	32.337	-8.8%
2002	31.614	-2.2%
2003	29.424	-6.9%
2004	31.545	7.2%
2005	37.635	19.3%
2006	35.822	-4.8%
2007	40.759	13.8%
2008	45.332	11.2%
2009	49.564	9.3%
2010	44.177	-10.9%
2011	54.971	24.4%
2012	52.743	-4.1%
2013	56.574	7.3%
2014	57.676	1.9%
2015	60.891	5.6%
Total	$2,061.831	

Coal Severance Tax Investment Earnings (millions)

Fiscal Year	Gen. Fund/ SEA	Education	TSE Projects	Big Sky	FWP	Other
1977	$0.000	$0.067	$0.000		$0.000	$0.000
1978	0.000	0.517	0.000		0.000	0.000
1979	0.000	0.663	0.000		0.104	0.000
1980	0.000	0.863	0.000		0.254	0.000
1981	7.422	1.737	0.000		0.490	0.000
1982	11.542	3.521	0.000		0.552	0.276
1983	18.467	12.194	0.000		0.634	0.317
1984	18.948	7.567	0.000		0.619	3.653
1985	24.300	8.707	0.000		0.987	4.866
1986	32.443	11.496	0.000		1.682	6.566
1987	39.925	13.929	0.000		1.240	0.620
1988	36.755	5.082	0.000		1.164	1.520
1989	40.806	1.645	0.000		1.190	1.246
1990	44.830	1.056	0.000		1.228	1.455
1991	46.999	0.177	0.000		1.245	0.622
1992	47.070	0.108	0.000		1.380	1.218
1993	49.788	0.093	0.000		1.251	2.043
1994	41.725	0.066	0.929		0.988	0.491
1995	36.675	0.214	1.810		0.922	0.501
1996	41.532	0.000	2.916		1.033	0.588
1997	39.553	0.000	3.454		1.007	0.499
1998	40.713	0.000	4.250		0.981	0.298
1999	40.800	0.000	4.773		1.086	0.295
2000	39.196	0.000	5.155		0.961	0.254
2001	37.660	0.000	6.172		1.083	0.286
2002	37.605	0.000	7.448		1.106	0.305
2003	36.298	0.000	8.069		1.115	0.314
2004	34.907	0.000	9.551		1.140	0.326
2005	36.752	0.000	9.878		1.100	0.318
2006	31.106	0.000	9.566	1.194	0.972	0.447
2007	32.335	0.000	11.204	1.559	1.055	0.516
2008	28.855	0.000	11.369	1.801	1.025	0.584
2009	26.958	0.000	10.629	1.925	0.954	0.535
2010	26.914	0.000	11.359	2.196	0.989	0.553
2011	26.783	0.000	12.101	2.472	1.014	0.560
2012	25.840	0.000	12.803	2.731	1.034	0.568
2013	24.153	0.000	12.360	2.745	0.959	0.527
2014	21.996	0.000	12.346	2.822	0.906	0.504
2015	21.168	0.000	13.334	3.022	0.919	0.506
Total	$1,148.818	$69.700	$181.476	$22.467	$36.371	$34.176

Maximum amounts are highlighted.

Maximum amounts are highlighted.

Montana Legislative Fiscal Division

Contact: Nick VanBrown, Fiscal Analyst
Rm: 130, State Capitol Building
P.O. Box 201711
Helena, MT 59620-1711
Phone: (406) 444-4461
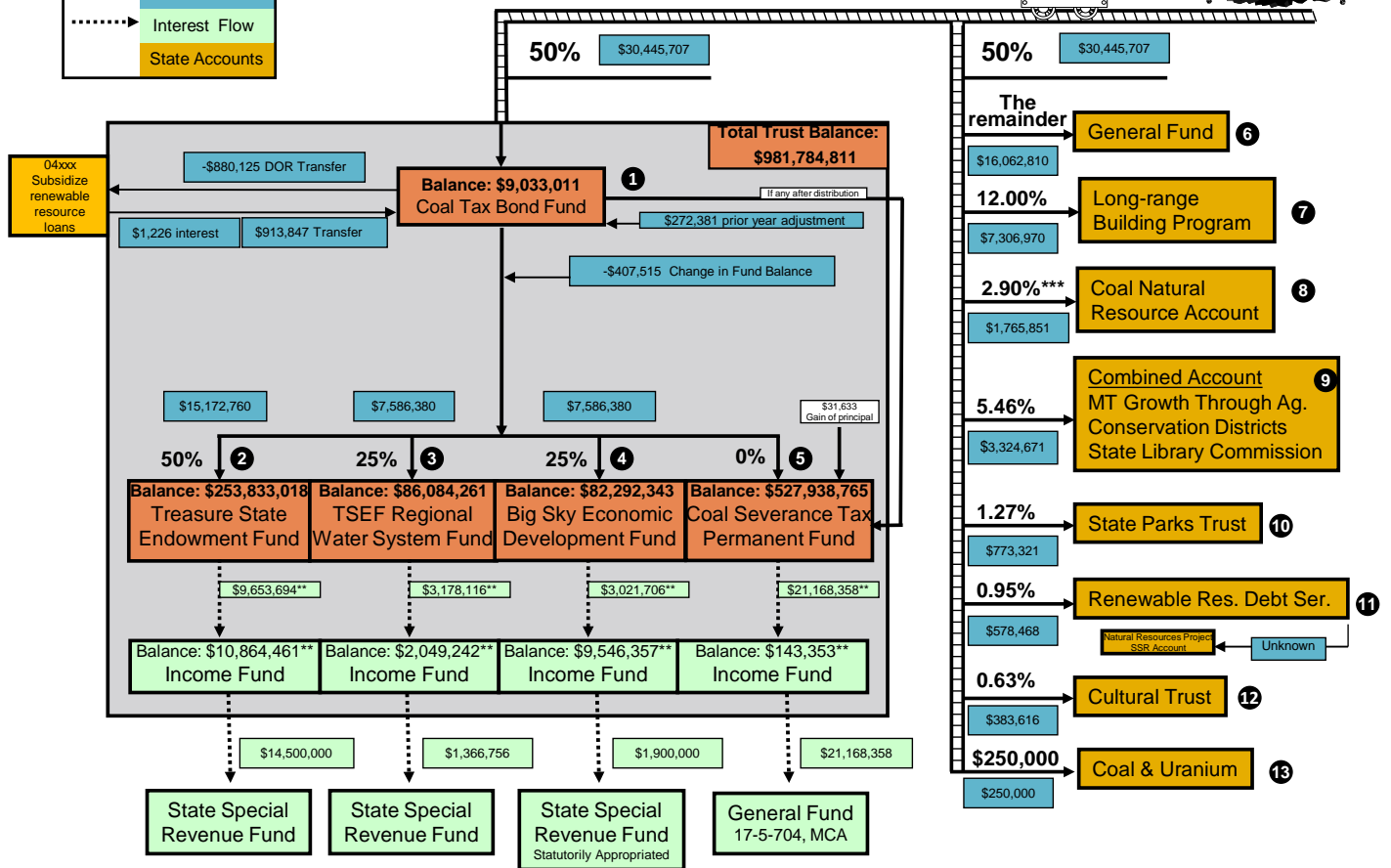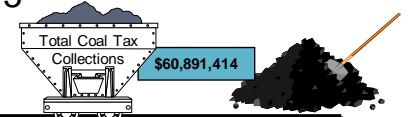
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Montana's Coal Severance Tax Distribution Detail

Updated August 2015
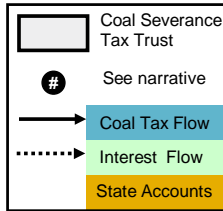
Effective September FY 2013 through FY 2015
Dollars are FY 2015 Actual Amounts*

Total Coal Tax Collections $60,891,414

Legend:
- Coal Severance Tax Trust
- # See narrative
- → Coal Tax Flow
- ⇢ Interest Flow
- State Accounts

Total Trust Balance: $981,784,811

50% — $30,445,707 | 50% — $30,445,707

Coal Severance Tax Trust

-$880,125 DOR Transfer

Balance: $9,033,011 ❶ Coal Tax Bond Fund

$1,226 interest | $913,847 Transfer

$272,381 prior year adjustment — If any after distribution

-$407,515 Change in Fund Balance

04xxx Subsidize renewable resource loans

$15,172,760 | $7,586,380 | $7,586,380 | $31,633 Gain of principal

50% ❷ | 25% ❸ | 25% ❹ | 0% ❺

Balance: $253,833,018 Treasure State Endowment Fund	Balance: $86,084,261 TSEF Regional Water System Fund	Balance: $82,292,343 Big Sky Economic Development Fund	Balance: $527,938,765 Coal Severance Tax Permanent Fund
$9,653,694**	$3,178,116**	$3,021,706**	$21,168,358**
Balance: $10,864,461** Income Fund	Balance: $2,049,242** Income Fund	Balance: $9,546,357** Income Fund	Balance: $143,353** Income Fund

$14,500,000 | $1,366,756 | $1,900,000 | $21,168,358

State Special Revenue Fund	State Special Revenue Fund	State Special Revenue Fund Statutorily Appropriated	General Fund 17-5-704, MCA

Right column distributions

The remainder → **General Fund ❻** $16,062,810

12.00% → **Long-range Building Program ❼** $7,306,970

2.90%*** → **Coal Natural Resource Account ❽** $1,765,851

5.46% → **Combined Account ❾ MT Growth Through Ag. Conservation Districts State Library Commission** $3,324,671

1.27% → **State Parks Trust ❿** $773,321

0.95% → **Renewable Res. Debt Ser. ⓫** $578,468

Natural Resources Project SSR Account ← Unknown

0.63% → **Cultural Trust ⓬** $383,616

$250,000 → **Coal & Uranium ⓭** $250,000

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*   Current year
** Excludes unrealized investment gains and losses
*** Increases from 2.9% to 5.8% for FY 2016 and FY 2017

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Coal Severance Tax Trust Fund

As directed by [Article IX, Section 5](#) of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through five sub-trust funds. In order, these five are:

❶   Coal Tax Bond Fund ([Title 17, Chapter 5, Part 7](#)) – The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects ([Title 85, Chapter 1, Part 6](#)) and local government infrastructure projects ([Title 90, Chapter 6, Part 7](#)). A maximum of $250 million in bonds is authorized as loans for renewable resource projects ([17-5-719, MCA](#)) to provide:
- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed $30 million ([85-1-624, MCA](#)).   An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources in House Bill 8.

❷   Treasure State Endowment Fund – In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with $10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then forward, the fund receives 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue to this fund terminates the end of FY 2016.

❸   Treasure State Endowment Regional Water System Fund – The 1999 Legislature established the treasure state endowment program to fund regional water system projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund). Projects are restricted to drinking water systems that provide water for domestic, industrial, and stockwater use for communities and rural residences that lie in specific northcentral and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue to this fund terminates the end of FY 2016, and the fund terminates at the end of FY 2031 ([HB 180, 2015 Session](#)).

❹   Big Sky Economic Development Fund – The 2005 Legislature established the big sky economic development program (House Bill 249) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund).   The deposit of coal severance tax revenue to this fund terminates the end of FY 2025. Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:
- creating good-paying jobs for Montana residents;
- promoting long-term, stable economic growth;
- encouraging local economic development organizations; and
- retaining or expanding existing businesses

Grants and loans are approved by and interest earnings from the fund are statutorily appropriated to the Department of Commerce. Money not spent for administration must be used: 1) 75% to local and tribal governments for job creation efforts; and 2) 25% to certified regional development corporations and economic development organizations.

❺   Permanent Fund – Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2000 through FY 2003, the permanent fund did not receive any deposits of coal severance tax revenue. From FY 2004 through FY 2005, the fund received 25% of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund). Beginning FY 2006, no coal severance tax revenue has been deposited to the fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund (17-5-704, MCA).

        General fund is appropriated in the general appropriation act (House Bill 2), in statute (statutory appropriations), or in other pieces of legislation. Interest income from the permanent fund deposited into the general fund is statutorily appropriated to 1) $65,000 to the cooperative development center; 2) $625,000 for the growth through agriculture program provided for in Title 90, chapter 9; 3) $1.275 million to the research and commercialization state special revenue account created in 90-3-1002; 4) to the Department of Commerce for specific projects. The Department of Commerce projects include 1) $125,000 for a small business development center; 2) $50,000 for a small business innovative research program; 3) $425,000 for certified regional development corporations; 4) $200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and 5) $300,000 for export trade enhancement. After those payments, up to $21 million is appropriated to the public employees' retirement system defined benefit plan trust fund. Effective FY 2020, the smaller statutory appropriations from the permanent fund interest cease, and up to $24 million is appropriated to the public employees' retirement system defined benefit plan trust fund.

Coal Severance Tax Related Funds

The other 50% of the coal severance tax revenue is distributed to the following eight funds outside of the coal severance tax trust fund (15-35-108, MCA).

❻   General Fund (the remainder after all other allocations) – As the name suggests, the money in this account is used for any purpose the legislature wants to appropriate funding. The largest four expenditures (FY 2015) of general fund by function were: 1) public schools – 35%; 2) human services – 21%; 3) higher education – 10%; and 4) Department of Corrections 9%. The largest four types of general fund expenditures by type (excluding combined transfers) are: 1) local assistance – 44%; 2) personal services – 16%; 3) benefits & claims – 15%; and 4) operating expenses – 10%.

❼   Long-range Building Program Account (12.00%) – Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in House Bill 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UofM pharmacy/psychology and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

❽   Coal Natural Resource Account (2.90% going to 5.8% in FY 2016) – Created by the 2005 Legislature (and amended by the 2009 Legislature in SB 23), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in House Bill 2 for local impact grants and administrative costs. Due to Senate Bill 100 enacted by the 2009 Legislature, the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9%. The allocation was again increased to 5.8% for FY 2016 and FY 2017, and will revert back to 2.9% in FY 2018 (HB 228, 2015 Session).

❾   Combined Account (5.46%) – The distribution of coal severance taxes to this account is appropriated to certain state agencies by the legislature in House Bill 2 and, beginning FY 2006, can be spent for the following three purposes:
   a.   Montana growth through agriculture – Money is granted or loaned by the Agriculture Development Council to businesses for agricultural development projects that stimulate agriculture
   b.   Conservation districts – The money is distributed to the conservation districts on the basis of need
   c.   State Library Commission – The money is distributed by the commission to public library federations

❿   State Parks Trust (1.27%) – The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks by the legislature in House Bill 2 and House Bill 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

⓫   Renewable Resource Debt Service Fund (0.95%) – Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (number 1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources in House Bill 8.

⓬   Cultural Trust (0.63%) - The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in House Bill 9 for these purposes.

⓭   Coal and Uranium Mine Permitting and Reclamation Program ($250,000) – Enacted by House Bill 688 by the 2007 Legislature, coal severance tax revenue is deposited to the state special revenue account and appropriated in House Bill 2 to the Department of Environmental Quality to administer and enforce coal and uranium mine reclamation (Title 82, Chapter 4, Part 2).