

Date: July 12, 2002

To: Montana State Library Commission
From: Karen Strege
Re: FY 2003 budget reductions

In addition to the cuts sustained in this fiscal year, the Governor's office is proposing to the legislature that MSL make the following reductions. Please remember that these proposals must be approved by the legislature. I am using approximate figures.

Personnel Services

20% of the pay plan increases for fiscal year 2003.
Four days of unpaid furlough for all employees, regardless of funding source.
Hiring freeze.

We are working on the possible implications of these cuts to agency personnel services. At this time, we do not have a recommendation for the Commission. Instead of a specific action at the special meeting, perhaps the Commission could direct the State Librarian to inform the legislature about the impacts of these potential cuts on services to MSL's clients. If the legislature approves reductions in personnel services, the Commission could meet again after the special session to take any action needed.

Currently, we have three vacant positions. We recruited and completed the screening for one of the positions, the Public Information Officer. The position of Manager of the Water Information System (WIS) in NRIS is vacant after two recruitment efforts. We had planned advertising the availability of the WIS manager and the vacant Data Coordinator position in Program One this past weekend. We have suspended these activities.

Coal Severance Tax (CST) 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 CST funds to fund the periodical database project. MSL receives a total of \$280,000 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 proposing that one half of the account or 4.18% be reverted to the general fund. The Governor requested the legislature to make the necessary changes in the law for a three-year period. If enacted, MSL would lose \$140,000 each year, starting in this fiscal year.

MSL uses CST to support three activities. The first activity is the support of federations - \$97,000. The second is to purchase materials and memberships to benefit statewide library services - \$69,000. The third program is the purchase of a statewide license to the Gale product, Infotrac, which is partially funded, \$114,000, through the coal tax.

The Governor did not recommend activities to cut. The decision is the Commission's.

Staff recommendations for CST reductions

Eliminate federation funding	97,000
------------------------------	--------

Reduce membership/materials	43,000
Total reduction	140,000

Rationale and impacts:

MSL has signed a two-year contract with the Gale group for the Infotrac product. The contract does not expire until September 30, 2003. MSL could seek to void the contract but any action would result in legal fees. MSL would also sustain administrative expenses to issue refunds of local shares to libraries. Furthermore, MSL believe that Montana citizens must have access to these information resources to enhance education and economic development. If the database funding is left as is, the two areas for reductions are federation and the materials funding.

MSL has already sustained a \$50,000 loss in the library materials budget this year. Adding another \$43,000 reduction brings the cutback to \$93,000 or 60% of the 2002 budget. The total materials budget of the state library for 2003 will be \$61,410. We have made significant reductions in periodicals, monographs, and online services. Although LISD staff will provide the most needed materials to state employees and the state's libraries, the level of service will decrease dramatically resulting in employees and librarians that spend more time seeking and receiving information. For this reason, the staff recommends that \$26,000 of CST be left in Library and Information Services Department (LISD) budget.

Eliminating CST 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. Likely reductions would be any cooperative projects, such as training events 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 accept the administrative costs without state support and it is likely that federations, as currently structured, would cease to exist.

The Governor's proposal makes it impossible to impose this reduction on any other funding source, including the general fund, resource indemnity tax (RIT), or the Library Services and Technology Act (LSTA).

The staff reluctantly recommends to the Commission to direct the State Librarian to prepare testimony for the upcoming Legislative session based on the reductions listed above. The staff also recommends to the Commission that the State Librarian be directed to cooperate with the Montana Library Association to inform Montana's library community and legislators about the impacts of these potential reductions.