

Montana State Library Funding: Applying public value thinking to understanding MSL's revenue future



- Services funded through revenue source.

SUBSTANTIVELY VALUABLE

REVENUE SOURCE

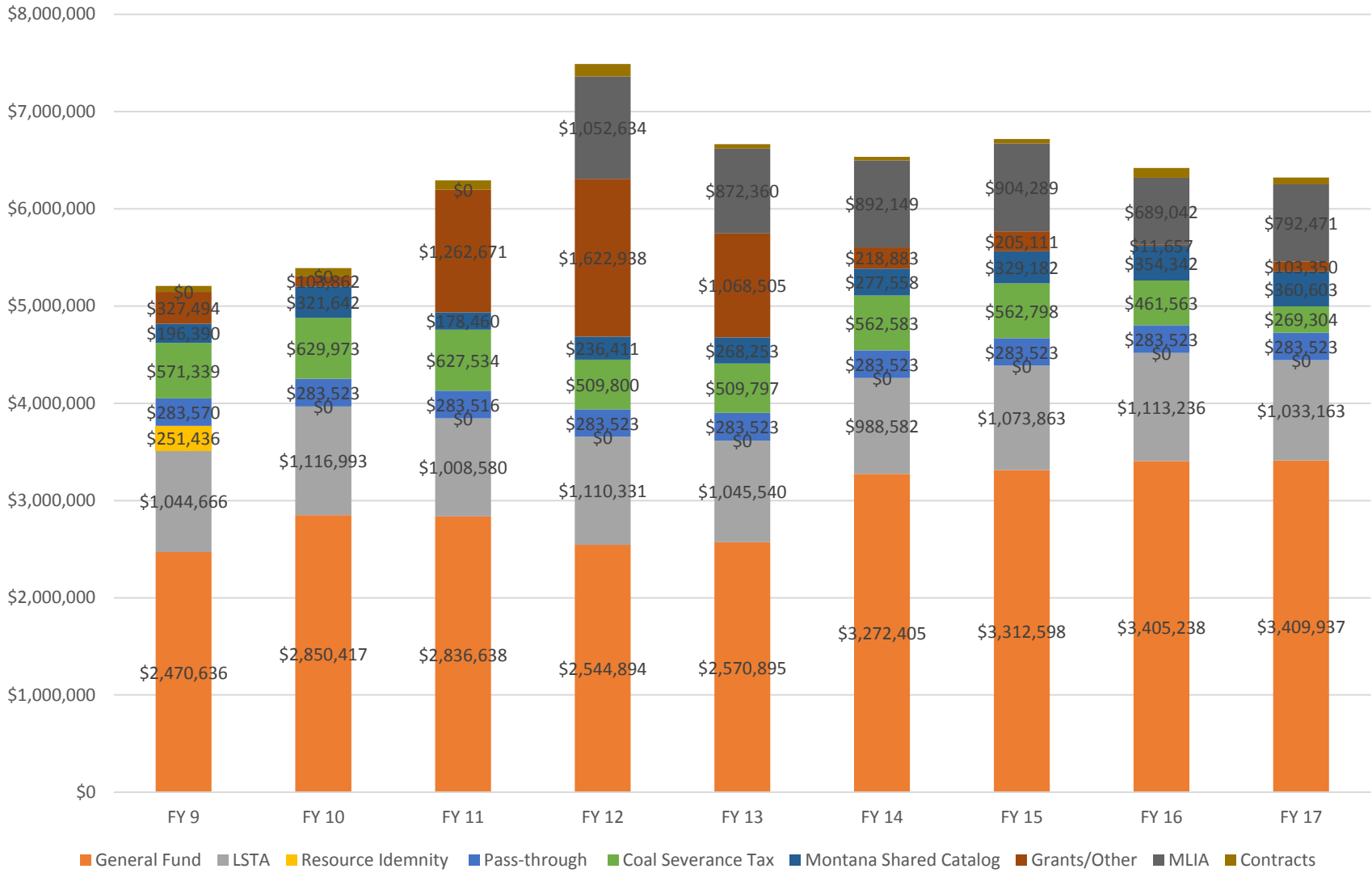
**OPERATIONAL &
ADMINISTRATIVELY
FEASIBILITY**

**LEGITIMATE &
POLITICALLY
SUSTAINABLE**

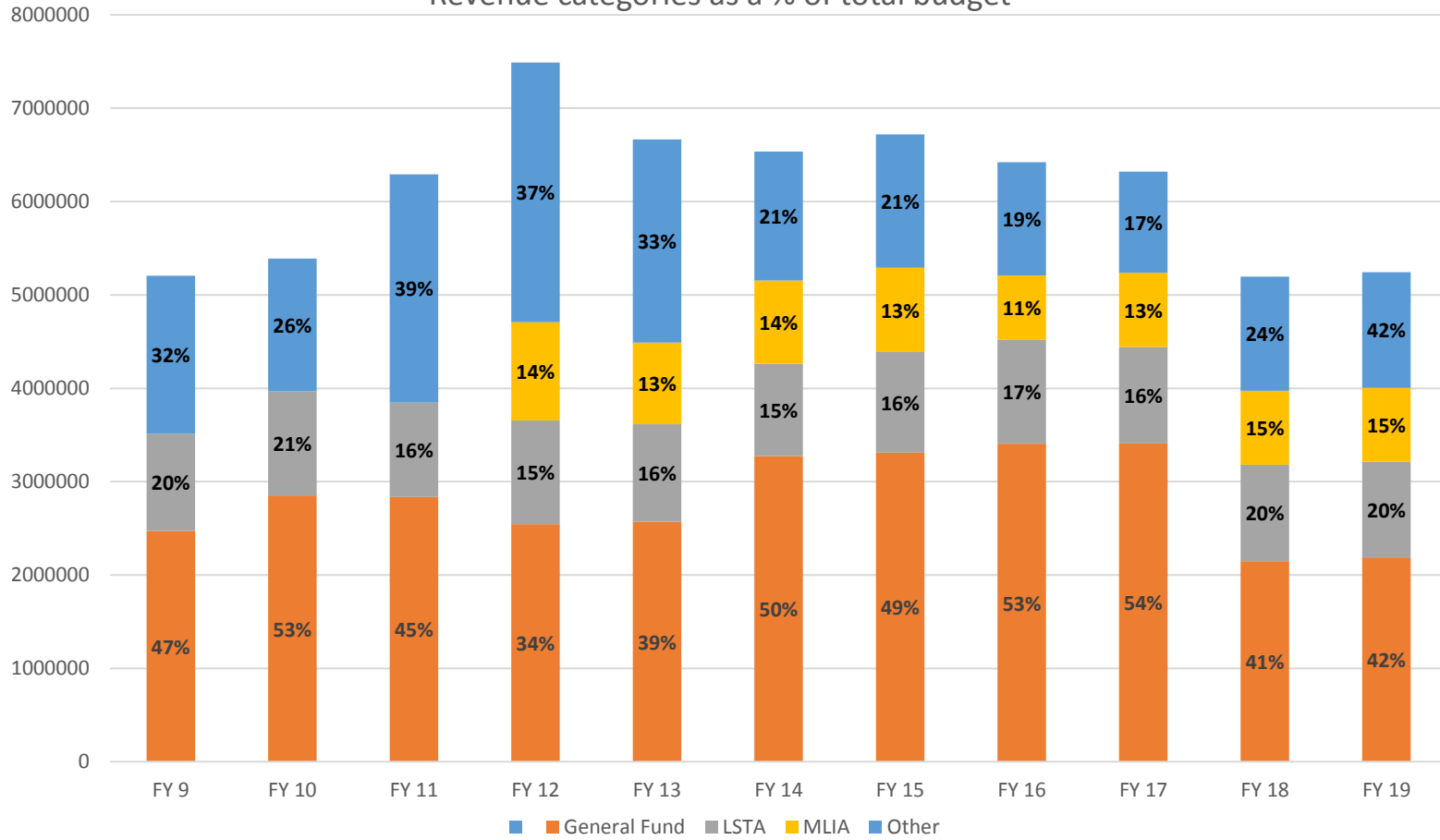
- MSL's authority to accept and expend funding and affect operations to administer funding.

- The fiscal and political environment that governs the revenue source.

MSL Revenue FY 2009-2017



MSL Revenue FY 2009-2017
 Revenue categories as a % of total budget



| Revenue Source | FY 9 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund | \$2,470,636 | \$2,850,417 | \$2,836,638 | \$2,544,894 | \$2,570,895 | \$3,272,405 | \$3,312,598 | \$3,405,238 | \$3,409,937 |
| LSTA | \$1,044,666 | \$1,116,993 | \$1,008,580 | \$1,110,331 | \$1,045,540 | \$988,582 | \$1,073,863 | \$1,113,236 | \$1,033,163 |
| Resource Indemnity | \$251,436 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Pass-through | \$283,570 | \$283,523 | \$283,516 | \$283,523 | \$283,523 | \$283,523 | \$283,523 | \$283,523 | \$283,523 |
| Coal Severance Tax | \$571,339 | \$629,973 | \$627,534 | \$509,800 | \$509,797 | \$562,583 | \$562,798 | \$461,563 | \$269,304 |
| Montana Shared | | | | | | | | | |
| Catalog | \$196,390 | \$321,642 | \$178,460 | \$236,411 | \$268,253 | \$277,558 | \$329,182 | \$354,342 | \$360,603 |
| Grants/Other | \$327,494 | \$103,862 | \$1,262,671 | \$1,622,938 | \$1,068,505 | \$218,883 | \$205,111 | \$11,657 | \$103,350 |
| MLIA | \$0 | \$0 | \$0 | \$1,052,634 | \$872,360 | \$892,149 | \$904,289 | \$689,042 | \$792,471 |
| Contracts | \$61,162 | \$84,082 | \$95,591 | \$128,672 | \$45,938 | \$39,135 | \$47,502 | \$101,896 | \$69,388 |
| Total | \$5,206,693 | \$5,390,492 | \$6,292,990 | \$7,489,203 | \$6,664,811 | \$6,534,818 | \$6,718,866 | \$6,420,497 | \$6,321,740 |

The Montana State Library's (MSL) revenue sources are a varied mix of primarily public funds. Though certain revenue items are designated for one-time-only projects and pilots, recent history and the historical analysis provided demonstrates that continued, stable funding is not assured and should never be taken for granted. As discussed, the varied funding sources are subject to economic and political factors that are largely beyond the control of the State Library. It is important, therefore, for the State Library Commission and staff to both understand how revenue drives the agency's ability to conduct its business and where they may have influence in their financial future.

MSL's budget authority is largely contained in House Bill (HB) 2 which the Legislature approves and the Governor signs. This authority includes the ability to spend state general fund, Library Services and Technology Act (LSTA) funds, coal severance tax funds, state agency "pass through" funds, and Montana Land Information Act funds. Appropriations by the Legislature in HB 2 becomes MSLs "base budget" for the next biennium. MSL requests mid-biennium budget changes to the authority granted through HB2 through budget change document (BCDs). The Governor's Office of Budget and Program Planning (OBPP) approves BCDs. Examples of changes that required BCDs include requests expend new monies, such as grants or contracts, or to change funding categories for any appropriated funds such as moving monies from Grants to Personnel. The Legislative Finance Committee reviews BCDs regularly.

In the spring of even numbered years, OBPP provides guidance to agencies about the Executive Planning Process (EPP). Through this process, MSL proposes changes to the base budget through funding requests for new programs and services. EPP guidance includes information about any limits the Governor may place on new funding requests. Requests may involve any of the funding sources appropriated through HB2 and may be for ongoing or one-time-only funding requests. These requests inform the Governor's priorities for the budget presented to the Legislature.

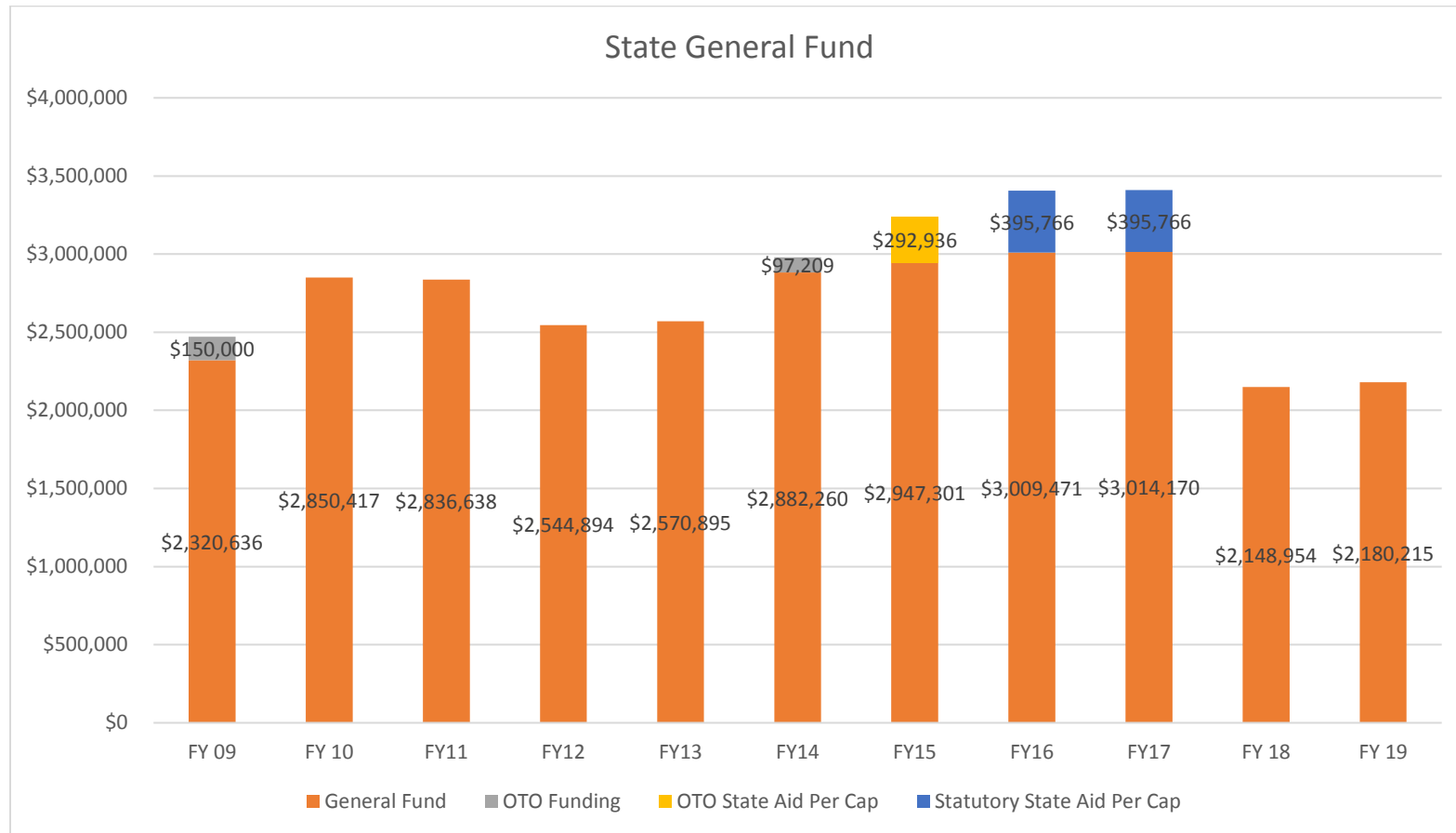
State Library staff prepare EPP requests for new and expanded programs and services. The leadership team prioritizes these requests and presents them to the Commission for finalization. Staff submits approved EPP requests to OBPP. The Governor releases the Governor's budget in mid-November. This budget may or may not include agency requests. As an executive branch agency, MSL advocates for those requests included in the Governor's budget.

At the beginning of each Legislative session, the Legislature adopts a starting budget from which they build HB2 to appropriate funds for the coming biennium. The starting budget may include certain "global motions" which affect agencies budgets such as additional vacancy savings requirements.

Through the legislative process, the Legislature either approves or denies requests for new proposals. Additionally, through HB 2, the Legislature may restrict appropriations to certain spending such as fixed costs for rent and information technology services. Those proposals that the Legislature approves are included in the final version of HB 2 that they send to the Governor for signature.

The Commission adopts a HB 2 budget for MSL at the beginning of each fiscal year.

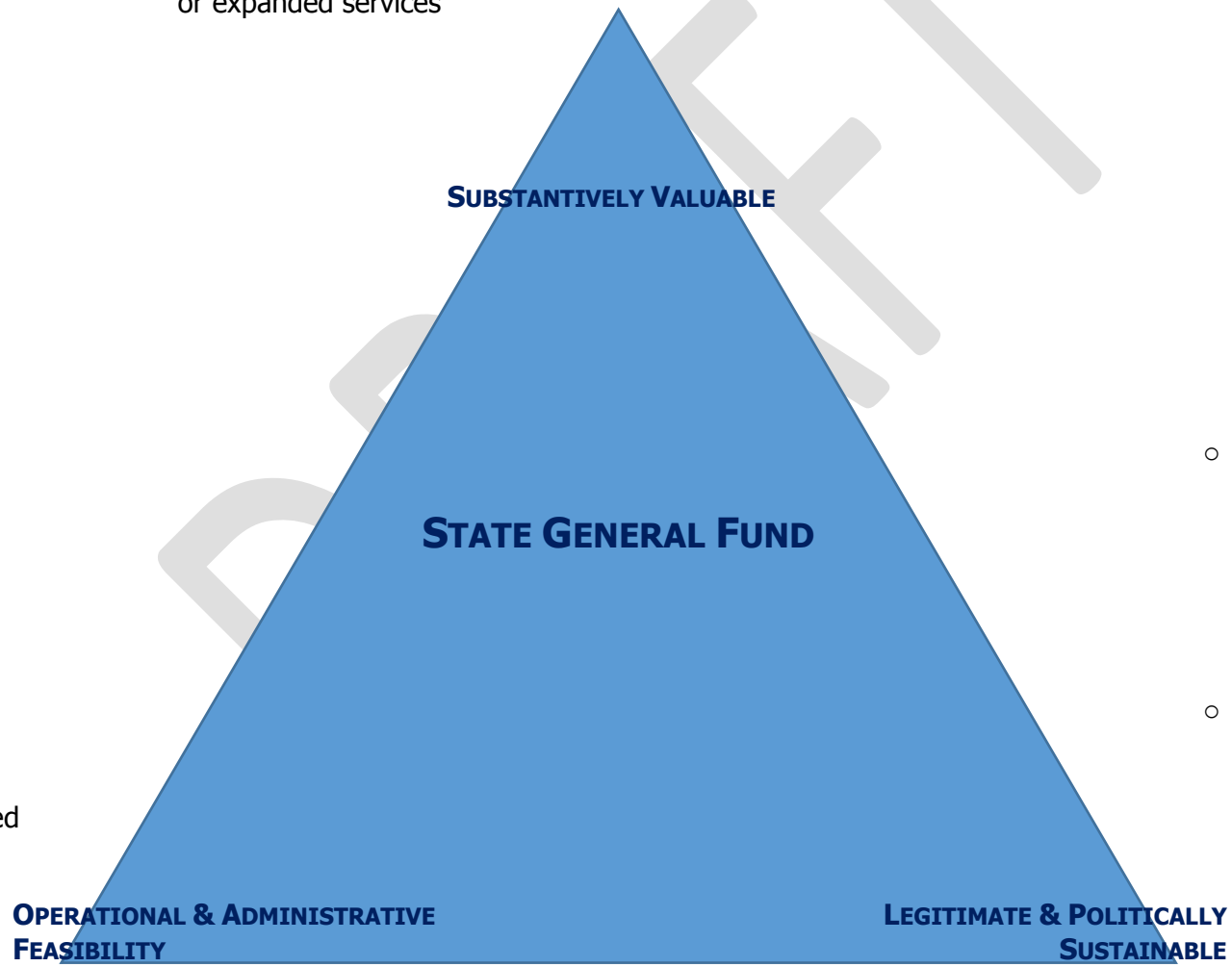
State General Fund



Funding mechanism

Funding is appropriated through the state budgeting process and authority is granted through HB 2. The Commission Appropriations may be permanent or appropriated as one-time-only monies. In the FY 15 biennium, per capita/per square mile state aid was removed from MSL's HB 2 appropriation. That general fund authority is now contained in a statutory appropriation tied to 22-1-327, MCA.

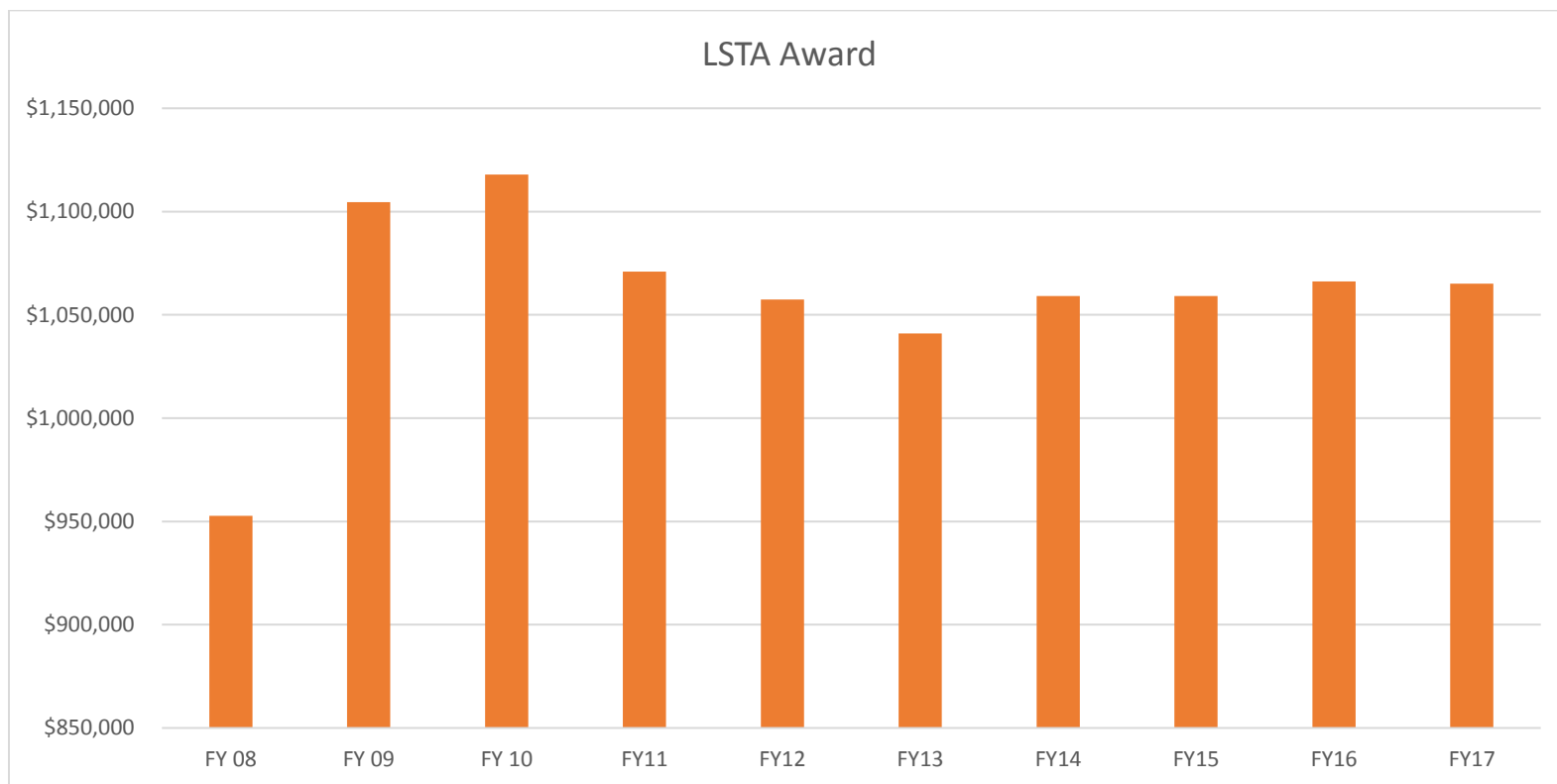
- Primary source of funding for the administration of the State Library and a significant source of funding for Digital Library; also helps to fund the OCLC Group Services Contract and the Montana Shared Catalog and two FTE in the Library Development Division.
- Per capita/per square mile state aid to public libraries is funded through the general fund.
- General fund increases are keeping pace with certain cost increases, like fixed costs, but funding increases for these expenses leave no additional funding for new or expanded services



- Authority granted in House Bill 2.
- Commission approves an annual budget.

- The political majority in both the Executive and Legislative branches significantly impact revenue generation and spending priorities.
- It is becoming apparent that the current state tax base is shifting and may not be able to sustain current state government services funded through the general fund.

Library Services & Technology Act Funds



Funding mechanism

Annually, usually in the spring, the President proposes a budget for the federal government. This budget is largely symbolic but can influence the political debate about funding priorities. Over the next several months, Congress debates both a House and Senate version of the budget in which they consider funding for the Institute for Museum and Library Services (IMLS), the independent federal agency that is authorized to administer the Library Services & Technology Act (LSTA) and whose budget contains funding for the Grants to State Program. Congress rarely passes a budget by the start of the fiscal year so federal funding is authorized through continuing resolutions until a budget is passed. Though the actual funding for the Grants to States Program has been relatively stable, the federal budget process is subject to political influence that, in the past, has resulted in government shutdowns and other forms of fiscal uncertainty.

IMLS awards Grants to States funds to State Library Agencies based on a per capita formula. How states spend their funds must be tied to a five-year plan that states develop to align with IMLS priorities. IMLS approves the plans.

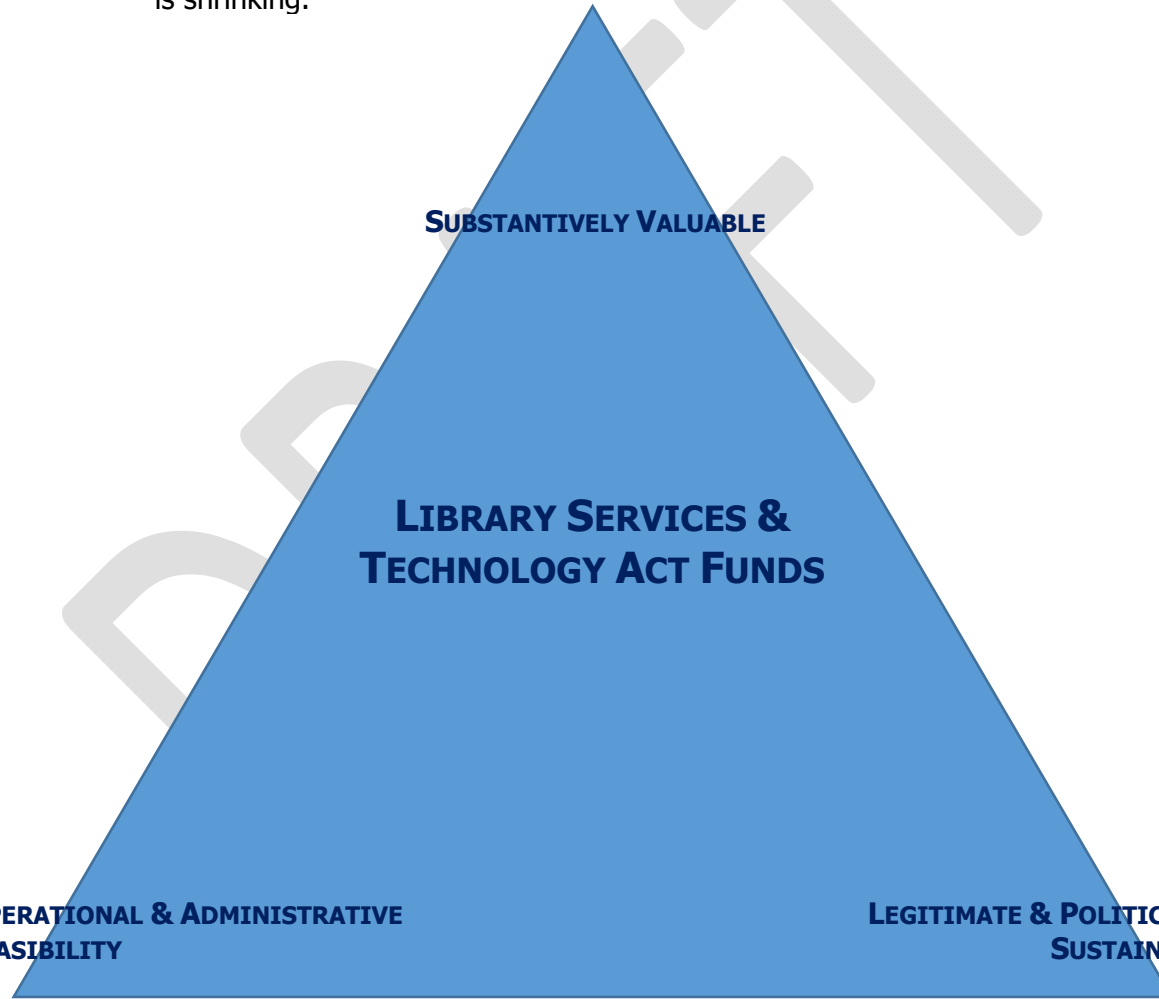
The Montana Legislature grants MSL authority to spend LSTA funds in HB 2. Staff and the Network Advisory Council evaluate library development priorities and annually recommends a library development budget to the Commission that includes LSTA funds. States have two years to spend each year's LSTA award.

The State Library must maintain a certain level of match and maintenance of effort in the form of state funding in order to receive LSTA funds.

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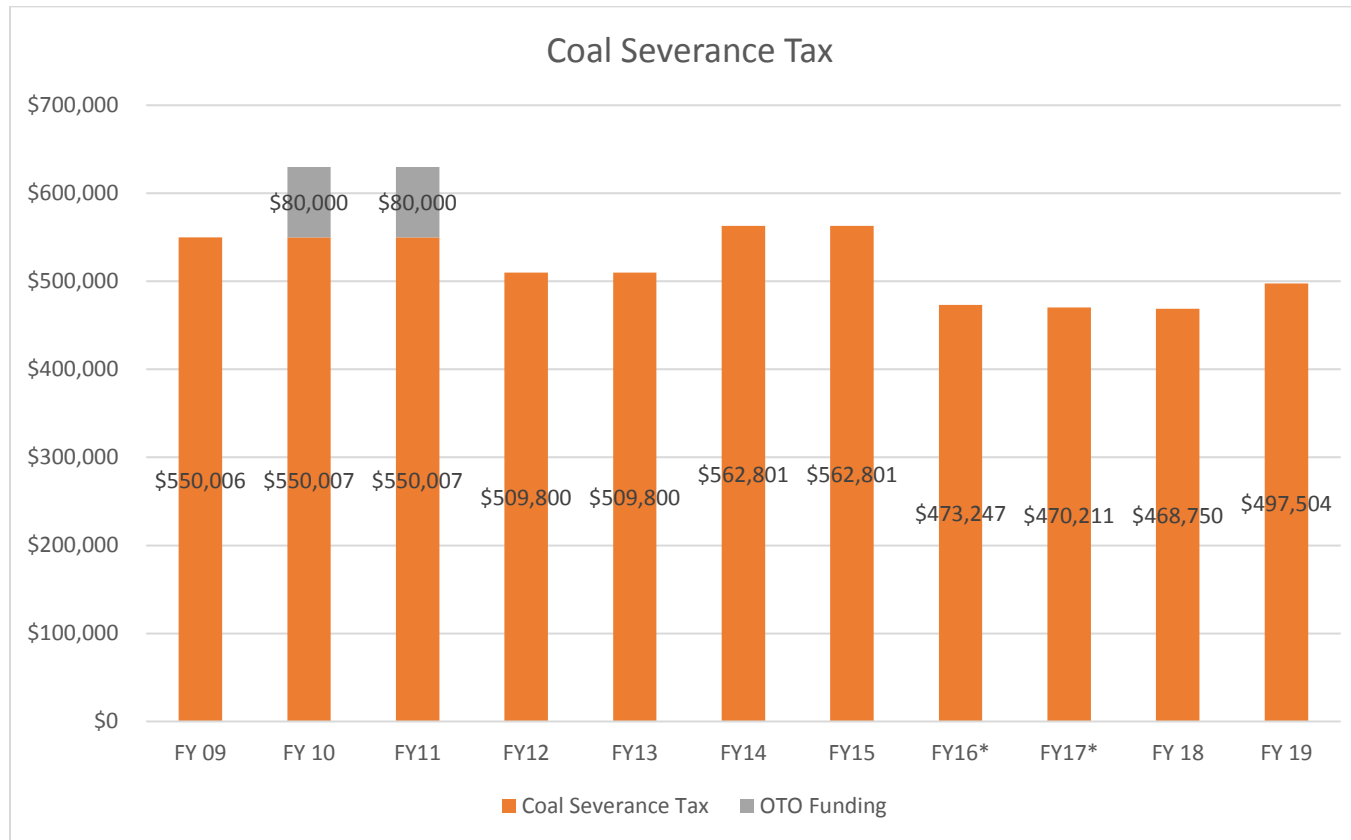
- LSTA funds support library development by funding FTE, contracts including the OCLC Group Services contract and the Overdrive hosting fee, professional development opportunities for librarians and trustees, and programming resources to support lifelong learning. LSTA is also the primary funding source for Talking Book Library Services.
- Because the funding is not keeping pace with inflation, as personnel costs increase for staff funded through LSTA, the budget to support library development priorities is shrinking.

- As is the case with many federal programs, funding rhetoric is significantly impacted by the political majority in power.
- Montana has strong support for this funding from Senator Tester.
- The American Library Association continues to lobby for “level” funding though the funding is not keeping pace with inflation.
- Western Council of State Libraries and the Chief Officers of State Library Agencies support bringing the funding level of the Grants to State Program to \$300M, or approximately double the current funding level.
- After threats to funding in the President’s FY 2018 budget, there was a successful national campaign to preserve IMLS funding.



- Authority granted in House Bill 2.
- Commission approves an annual budget.
- LSTA funds are primarily appropriated in HB 2 as grant funds. MSL must submit BCDs to move funding to different categories like personal services.

Coal Severance Tax Funds

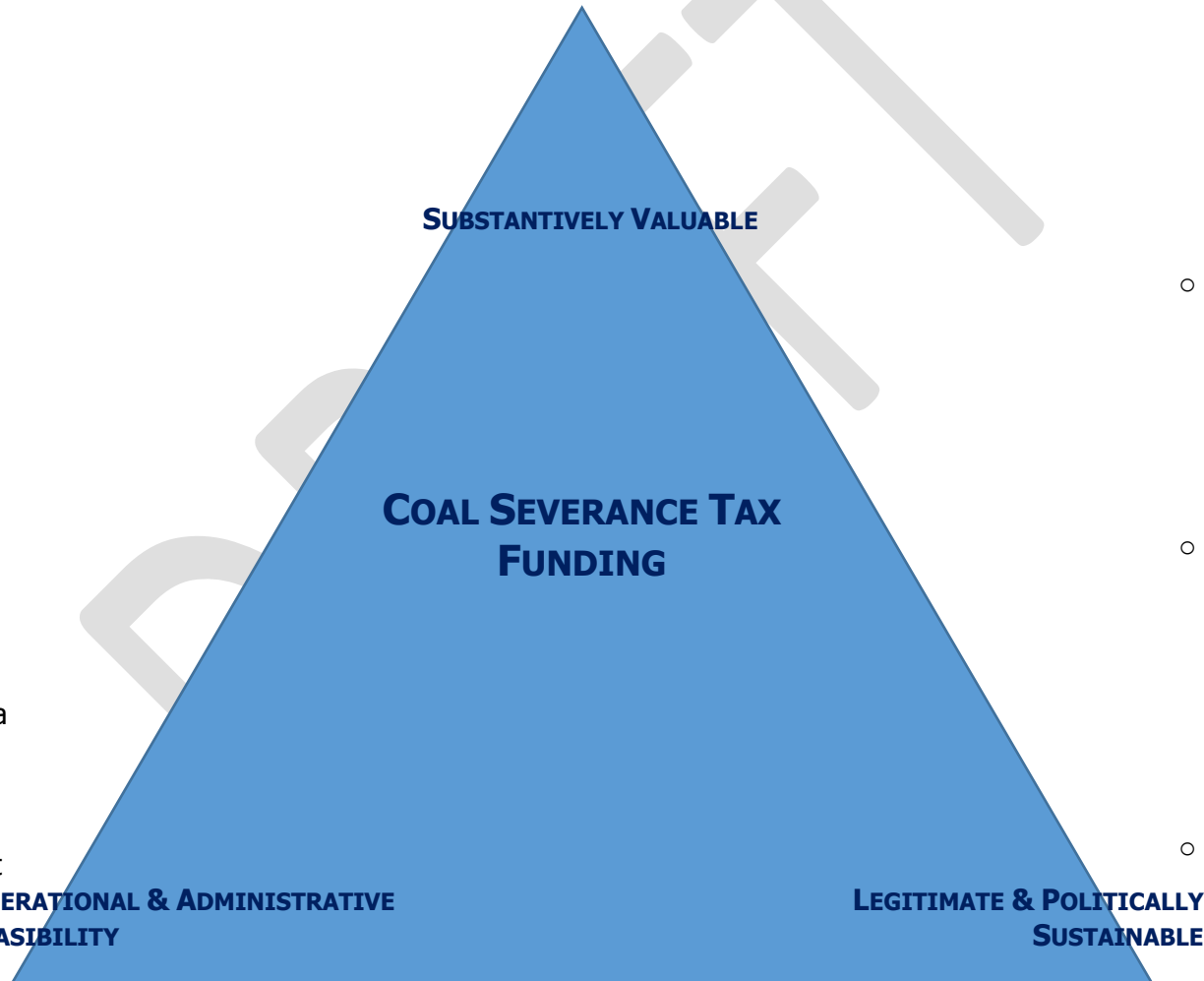


*funding history does not show mid-biennium changes due to fluctuating revenue estimates that ultimately resulted in the loss of statewide databases.

Funding mechanism

MSL's funding authority is found in HB2 which appropriates MSL's percentage of the coal severance tax as required by 15-35-108, MCA.

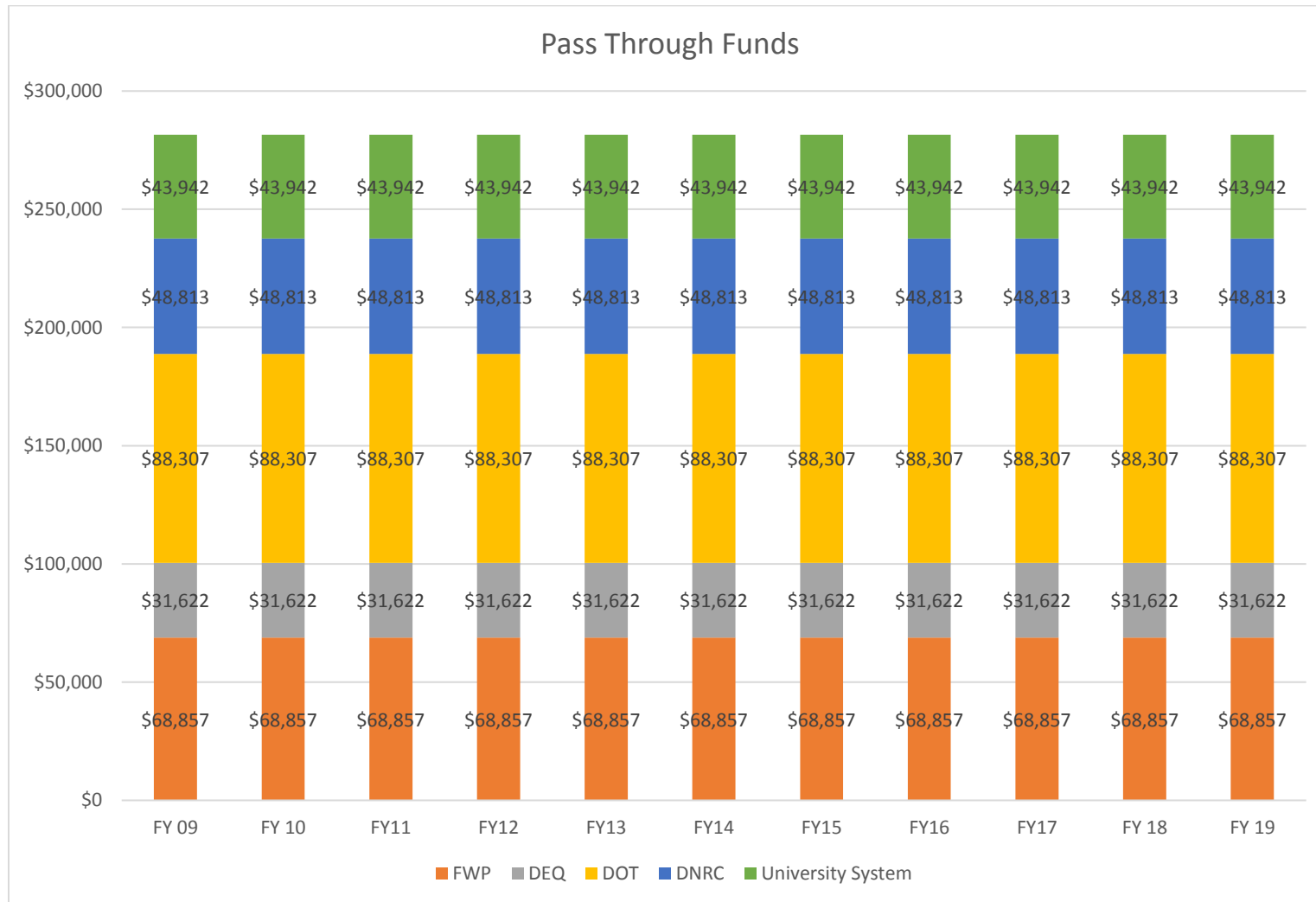
- CST monies must be spent in accordance with 15-35-108, MCA.
- CST monies fund Federation grant payments. This biennium they are being used to backfill the loss of state general fund to pay for a portion of the OCLC Group Services Contract and the Montana Shared Catalog. MSL also uses CST monies to fund the digitization of print state publications and to procure other information resources used by librarians and state employees.



- Though the creation of a Basic Library Services Account is proving challenging in the near term, cash management should improve with regular quarterly payments.

- Economic, regulatory, and legal uncertainty at the state, federal and international level, directly impact coal production and the price of coal in Montana resulting in increasing volatility in this funding source.
- State leaders have declined to address the loss of coal funding to the overall state's economy and tax base in any meaningful way creating significant financial uncertainty for the future of programs funded through the CST.
- Legislators publicly stated that coal miners use libraries to substantiate the use of the funding for source for libraries.

Natural Resource Information System Pass -through Funds



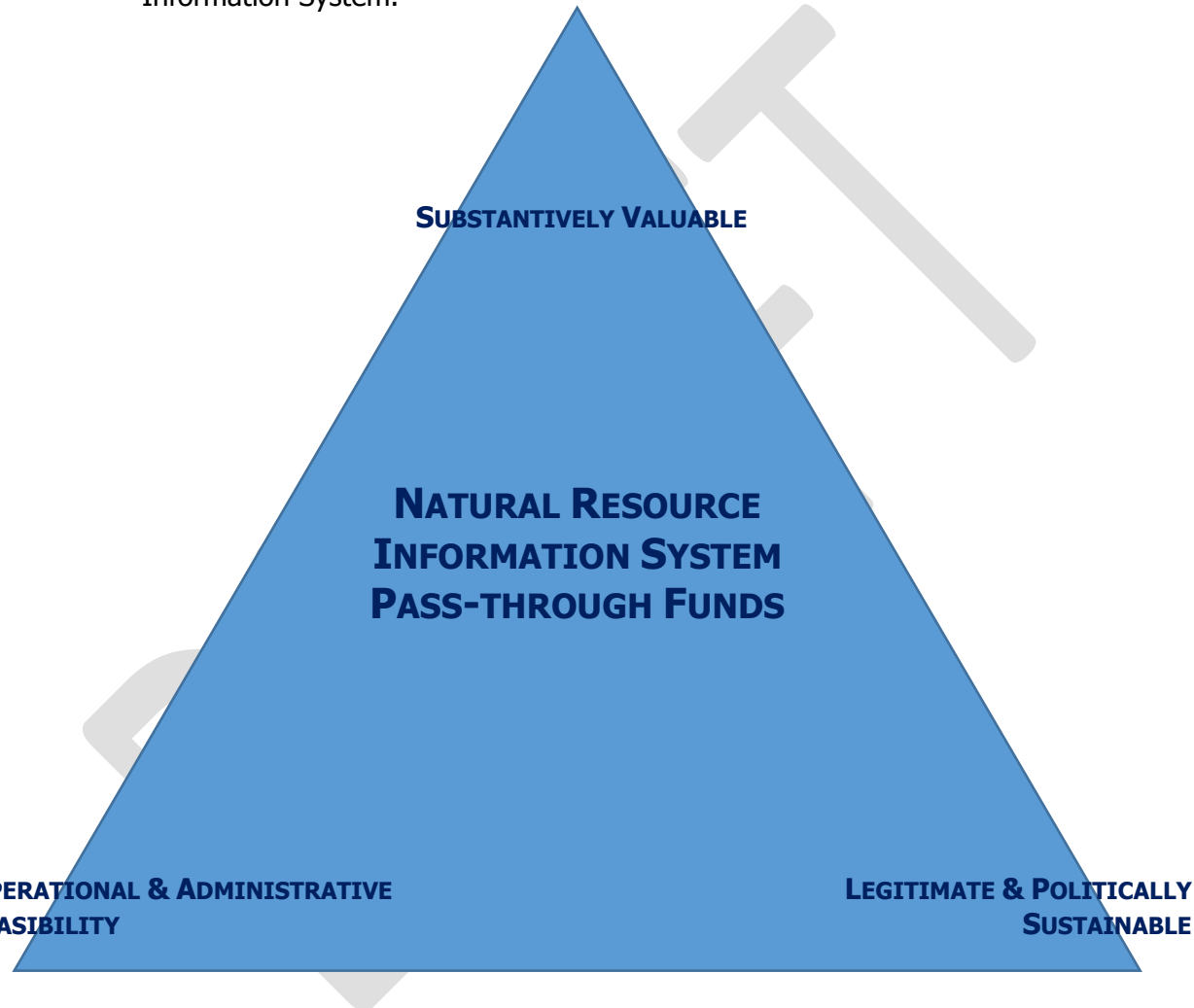
Funding mechanism

Pass-through funds were originally added to agency budgets in HB 2 during the 2001 legislative session. That funding authority is now in those agencies' base budgets so it is not line-itemed in HB 2 with the exception of budget for the University System. Within HB 2 the Commissioner of Higher Education's budget contains the language "The Montana university system shall pay \$88,506 for

the 2019 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana State Library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total appropriated.”

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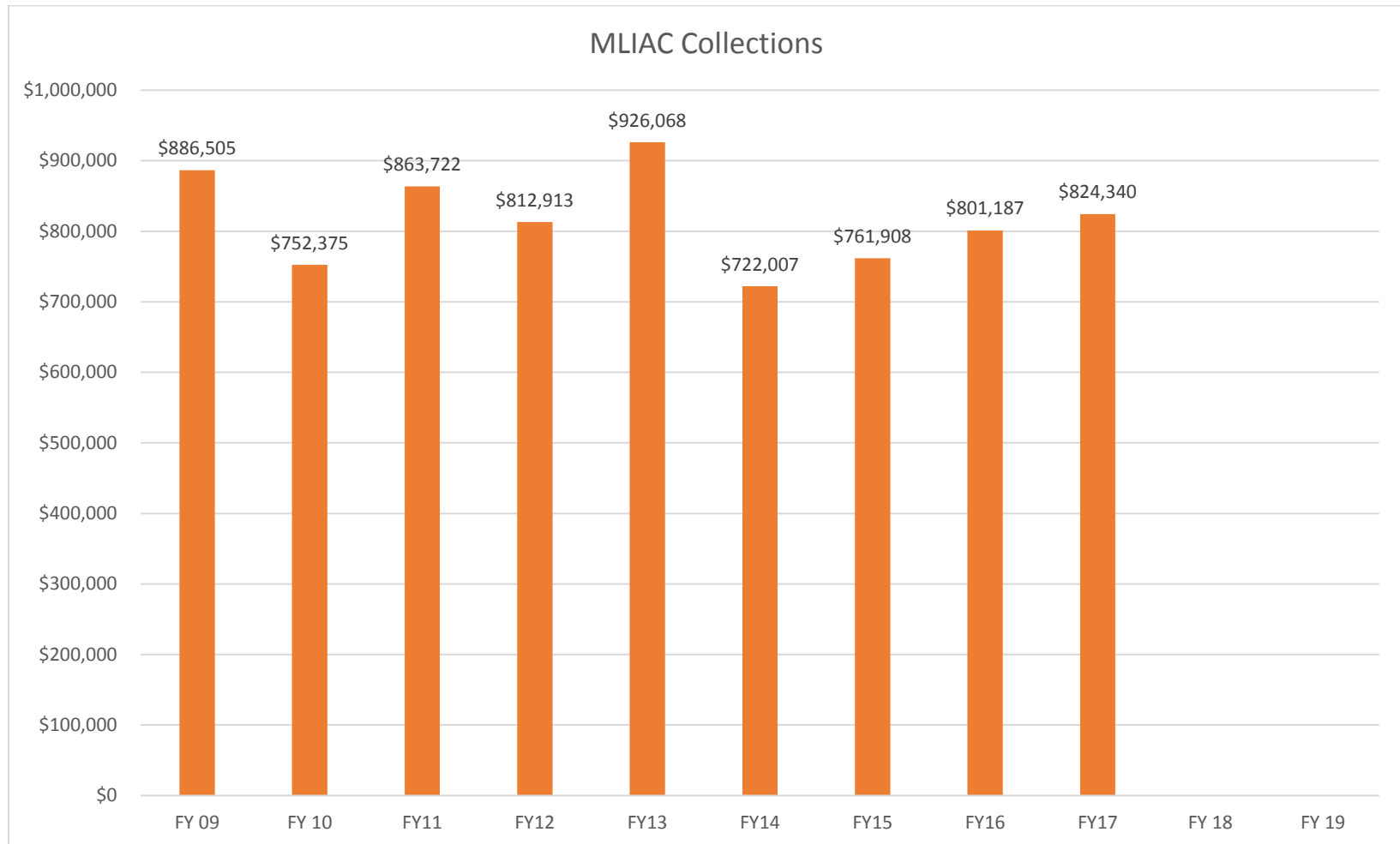
- Pass-through funds are the primary source of funding for the contract to operate the Montana Natural Heritage Program, a program of the Natural Resource Information System.



- MSL and agencies develop a biannual memorandum of understand that services as the basis for the pass through funds. Because the funds are intended to support the core services of the Natural Resource Information system, MSL is careful not to construe the MOU as a service agreement.

- Members of the NRIS Advisory Council are advocating for broader application of the pass-through model since all agencies rely on Digital Library information and services.

Montana Land Information Act Funds



Funding mechanism

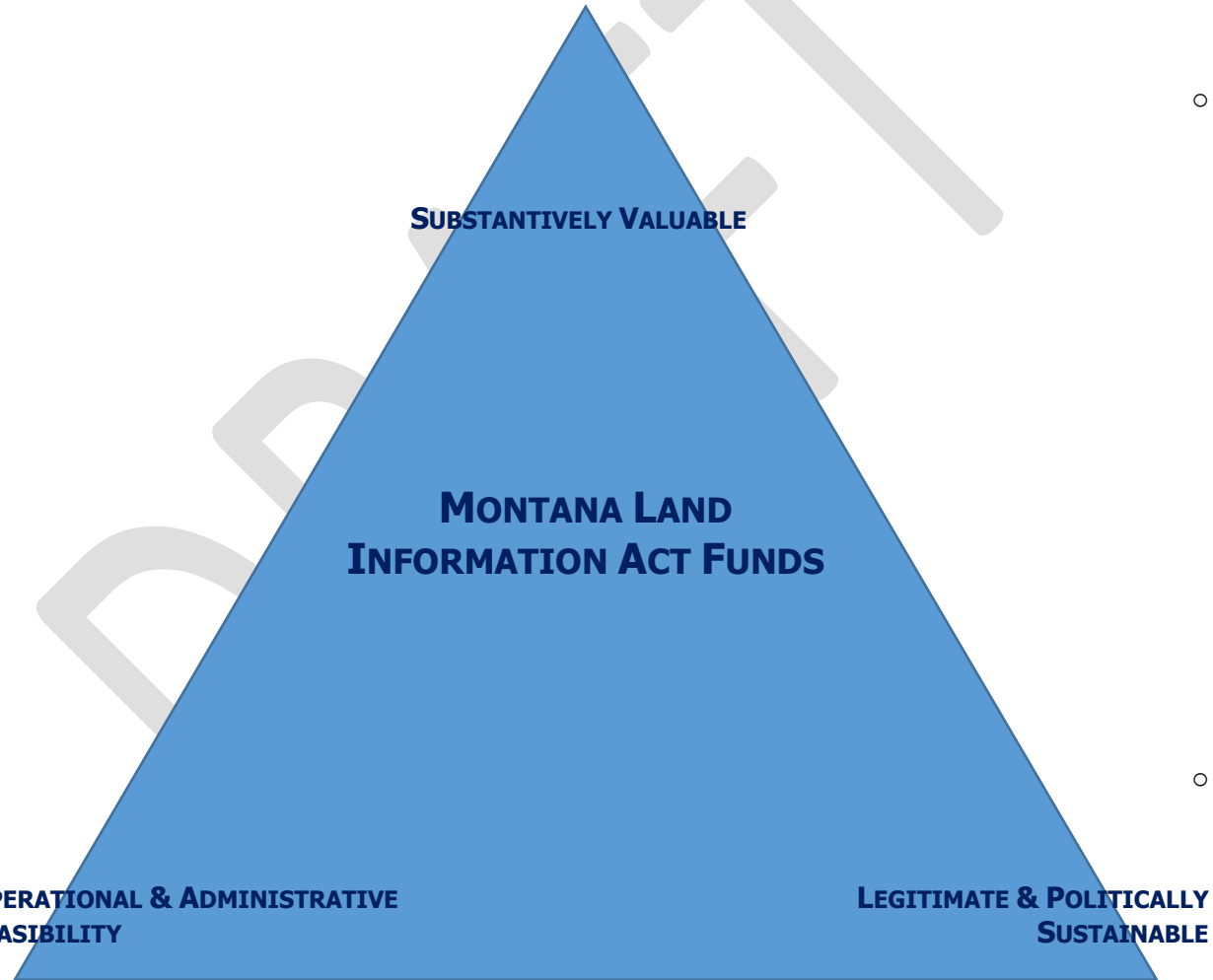
MLIA funds are collected through a \$1/page recordation fee for land transactions recorded by counties. \$.25 of each dollar remains with the county where the fees are collected and \$.75 is deposited in the MLIA account with the Department of Revenue. The Legislature grants the State Library authority to spend MLIA funds through HB 2. MSL's legislative spending authority is typically higher than MLIAC collections. Each year, in accordance with 90-1-404, MCA, the State Library and the MLIA Council recommends

a Land Information Plan to the Commission that recommends funding priorities for the expenditure of MLIA funds. Of note, MSL has no authority over how counties use their percentage of MLIA funds.

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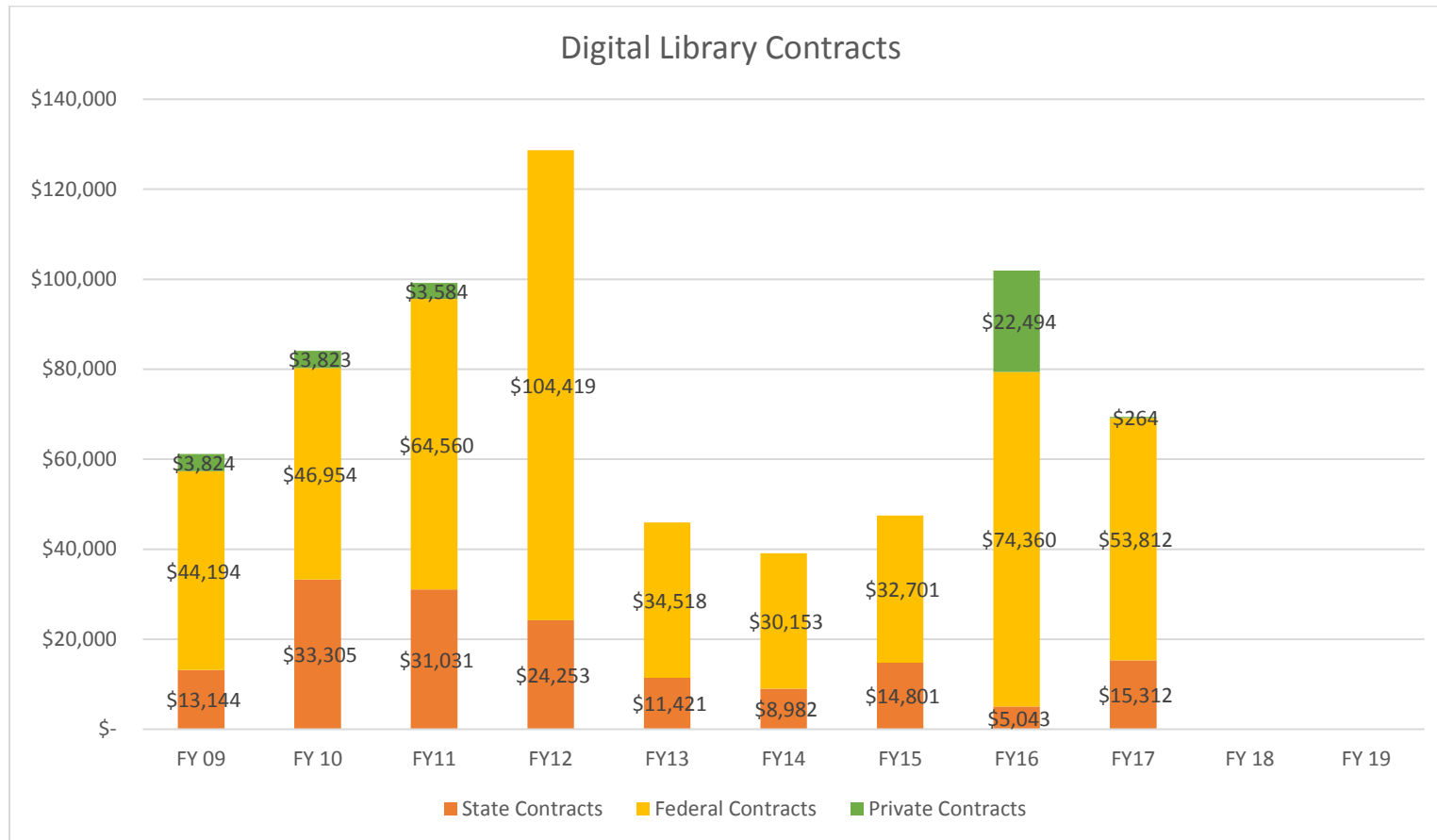
- MLIA funds support Geographic Information Systems coordination by funding FTE, resources and services necessary to support development of the Montana Spatial Data Infrastructure (MSDI).
- MLIA funds are also used to fund a grant program for local and tribal governments. Grants support the priorities developed in the Land Plan.

- Staff is working to understanding economic trends that contribute to the relatively volatile nature of this funding source in order to better plan for expenditures of MLIA funds.



- Local governments are key stakeholders in the administration, use, and future of the MSDI and MLIA funds. MSL works hard to ensure local governments benefit from GIS coordination and that a significant and sustainable percentage of MLIA funds support the grant program.
- Local government support would be essential if the fee model was ever changed or increased.

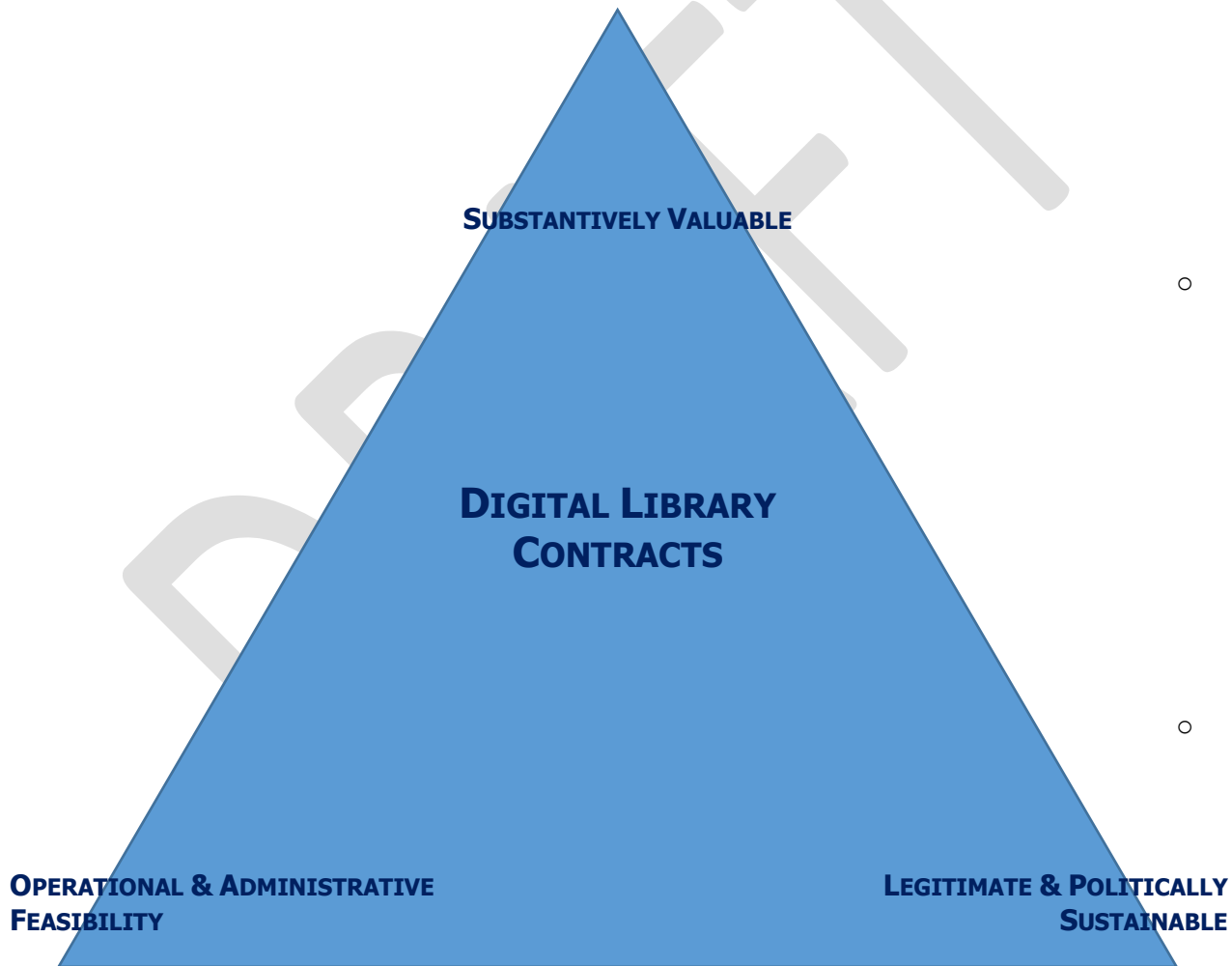
Digital Library contracts for services



Funding mechanism

MSL enters into contracts with a wide variety partners to develop or enhance specific data or data access tools. Though initially funded through contracts for specific purposes, MSL only enters into contracts if the underlying work benefits the core priorities of MSL and the data and services are made available to MSL users. Contracts require a contract agreement, usually in the form on memorandums of understanding or agreement. Because contract funds are outside of HB 2 authority, MSL submits BCDs to receive authority to expend contract funds.

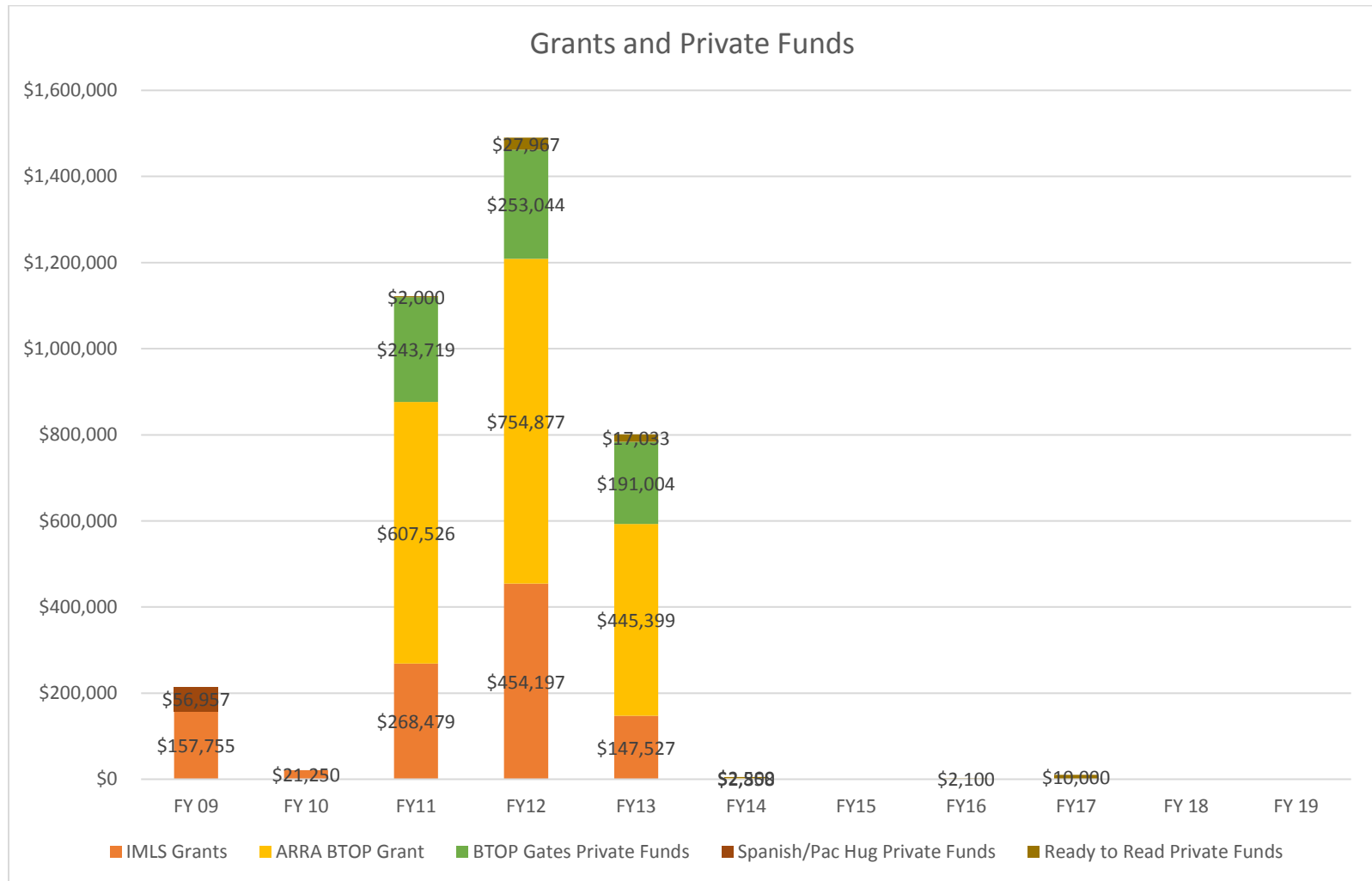
- Contract work may involve one-time-only projects or ongoing projects that are priorities for MSL partners and where the resulting data or services are made available to all MSL users.
- Contracts are reported in the MSL quarterly financial reports. Recent contract work includes providing GIS support and mapping for the Dept. of Justice Natural Resource Damage Program and support for work on the Hydrography data set for the Dept. of Natural resources and Conservation.



- MSL has a good system for tracking and reporting contract work.
- Due to recent staff reductions, MSL has limited ability to take on new contracts but plans to evaluate opportunities to make use of contract and/or short-term staff and interns where appropriate.

- Partners generally recognize and appreciate MSLs role to leverage expertise to complete contract work and to support the broader MSL mission of discovery and access.
- MSL is cognizant of the need to limit the scope of contract work so that it does not compete with the private sector.

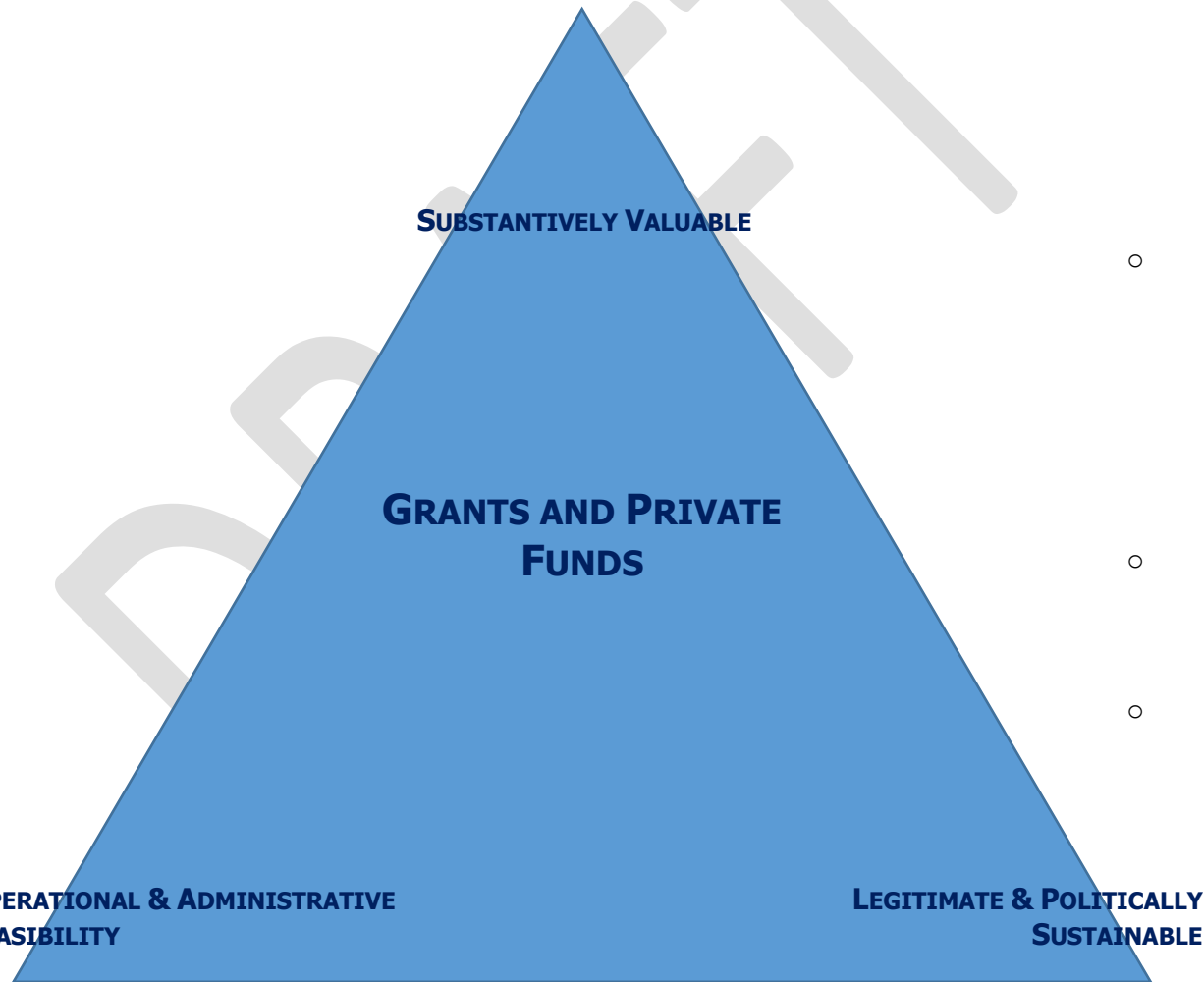
Grants and Private Funds



Funding mechanism

Funding requirements for grants and private funds vary widely based on the requirements of the funding source. In addition to securing grants and private funds, MSL must request authority to expend funds through BCDs. MSL's ability to secure grants and private funds as a more routine part of the funding portfolio is negatively impacted by the lack of grant writing capacity.

- Grants and private funds are largely tied to one-time-only opportunities. In the recent past, they have funded digital inclusion through the broadband technology opportunity program, degree programs for librarians, and Ready2Ready training and programming opportunities.
- MSL is cognizant of the importance of tying grant funds to strategic priorities.



- MSL lacks a grant writer so we may miss opportunities to secure grant funds that might enhance funding for strategic priorities.
- In general, MSL has adequate capacity to administer grants received.

- Stakeholders demonstrate support for MSL by consistently awarding the agency grants for programs and services.
- Availability of federal grants may vary based on political priorities.
- The Gates Foundation, a longtime resource for technology funding for libraries, no longer offers library grants.

User Fees

Historical Analysis not applicable

Funding mechanism

Should the Commission decide to pursue a fee-based system of funding, MSL may need to request authority to expend fees through the EPP process. Senate Bill 261 and HB 2 as passed during special session does grant MSL authority to expend proprietary funds in the 2018-2019 biennium.

- MSL does not currently charge user fees for any services
- The Commission should consider how user fees may impact the substantive value of MSL services.

- 90-15-304, MCA grants MSL authority to establish fees to cover the costs of information requests;
- MSL currently has temporary fiscal authority to spend proprietary funds;
- MSL currently has no administrative system and is not staffed to collect fees.

- Stakeholder opinions about the use of user fees differ widely. Opinions may shift from political and/or economic pressures.

