

Funding the Library

Sound financial management by the Board of trustees is crucial to ensure ongoing library services for the community. To prepare a budget, you need to know where the funds come from and how much revenue you can expect each year. In Montana, public library funding comes from local, state and federal sources. Private funding sources, however, are also important.

Local Funding Sources

The major source of public library funding in Montana comes from local property taxes, either through a specific mill levy or an appropriation from general funds. State law allows the governing body of a city or county with an established public library to levy a special tax in the amount necessary to maintain adequate public library service unless an increased mill levy is approved through a vote of the people.

In addition, emergency mill levies can be used as a source of funding for special needs. The timeline on the next page outlines the steps and timing necessary to pass a mill levy.

Libraries that receive funds from mill levies are eligible to receive prorated money from sources other than property taxes as well, such as ancillary taxes including motor vehicle taxes, oil and gas production taxes, motorcycle fees and so on. State law also allows the governing body of any city or county, or a combination of the city and county, to establish a library depreciation reserve fund. This money can be used to acquire property, make capital improvements and purchase equipment necessary for library services. City or county funds allocated to the library but not spent at the end of the fiscal year can be applied to the library depreciation reserve fund. The Board must request establishment of this fund.

Support for libraries differs considerably among cities and counties in Montana because taxable valuation and the amount levied varies from place to place. Initiative 105, passed by Montana voters in 1986, significantly com-

MCA 22-1-304(2)
http://data.opi.mt.gov/bills/mca_toc/index.htm

MCA 22-1-305
http://data.opi.mt.gov/bills/mca_toc/index.htm

pounded funding problems for libraries by freezing the level of local property taxes from which public libraries receive most of their funding. A petition and election process is now often required to secure adequate library funding.

Your Board can explore local options with the city or county budget officer.

Suggested Mill Levy Timeline

January - March	Board defines goals and prepares budget for upcoming year, determines if an exceeded mill levy election will be needed.
April - May	Trustees communicate with city or county commissioners about budget and the exceeded mill levy needs.
June - July	Board seeks out the legal requirements and ballot language.
August - September	Trustees recruit for Board/citizens' task force and appoint task force members.
October - December	Task force identifies funding sources and develops the petition. Task force presents recommendations to the trustees. Trustees adopt task force recommendations and support petition.
January	Task force circulates petition, which must be signed by at least five percent of the resident taxpayers. Trustees meet with city or county clerk to review ballot language. Trustees and commissioners meet to discuss petition and election. Trustees and task force hold an informational meeting about the adopted mill levy vote.
February	Board files petition with governing body at least 90 days prior to the general election. Task force recruits a citizens' campaign committee.
March - May	Citizen's campaign committee prepares facts, fliers and other materials; holds information meetings for the public; and implements other steps in publicity campaign.
June	Election*

**Develop comparable timelines for elections not in June by working back from the date of election.*

State Funding Sources

There are two state funding sources for Montana's public libraries: the Information Access Montana Act and the Coal Severance Tax. To receive this funding, public libraries must meet the essential standards as described in the Public Library Standards (see Appendix B).

Information Access Montana Act

State aid to public libraries is provided through the Information Access Montana Act (IAMA) passed by the Montana Legislature in 1989. The act is designed to broaden access to existing information by strengthening public libraries, augment and extend services provided by public libraries, and permit new types of library services based on local need. IAMA is administered by the Montana State Library Commission.

MCA 22-1-325 –
22-1-331
[http://data.opi.mt.gov/bills/
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IAMA funds may not take the place of general operating funds. The law allows the Commission to withhold these funds when there is a reasonable link between the reduction in local funding and the receipt or expectation of IAMA funds. In such cases, the reduced funding from a mill levy or local government appropriation must be less than the average amount the library had received from these sources the preceding three fiscal years.

IAMA stipulates four types of state aid:

1. **Per capita and per square mile.** This aid is based on a population distribution formula. The amount of money received by individual libraries can change as the population distribution changes. When Montana's population increases, the funds per person are less. These funds are distributed annually, and the local libraries receive the money by the end of September.
2. **Interlibrary loan reimbursement program.** Libraries participating in the statewide interlibrary loan program are reimbursed according to the rules adopted by the Commission. Interlibrary loan reimbursement checks are distributed to libraries by the end of September each year. Changes to this program were being considered when the *Trustee Handbook* went to press. The State Library will keep Montana libraries and trustees updated on all decisions about this program.

MCA 22-1-327
[http://data.opi.mt.gov/bills/
mca_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm)

ARM 10.102.4003
<http://arm.sos.mt.gov>

MCA 22-1-328
[http://data.opi.mt.gov/bills/
mca_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm)

ARM 10.102.4003
<http://arm.sos.mt.gov>

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MCA 22-1-329
[http://data.opi.mt.gov/bills/
mca_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm)

MCA 22-1-331
[http://data.opi.mt.gov/bills/
mca_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm)

ARM 10.102.5106
<http://arm.sos.mt.gov>

MCA 15-35-108;
MCA 22-1-401 -
22-1-413
[http://data.opi.mt.gov/
bills/mca_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm)

ARM 10.102.5102
<http://arm.sos.mt.gov>

IMLS
www.ims.gov

3. **State multilibrary card.** This section authorizes the Commission to develop a program allowing Montana libraries to issue residents a statewide multilibrary card (as defined in MCA 22-1-301). This program has not been developed because funding has never been authorized.
4. **Base grants.** Each public library receives a base grant to support the cooperative activities and services of the six library federations in the state (see Chapter 18-5, Libraries and Library Organizations for more on federations). The funds are sent to federation libraries by the end of September. The libraries may use the grants to fund projects that maintain or improve cooperative library services and activities within the federation or state.

Coal Severance Tax

In 1979, the Montana Legislature designated that a portion of the state severance tax on coal mining go to the library federations to help local libraries provide basic services. The federation libraries receive the annual funds by the end of September. Each federation submits an annual plan of service to the Commission for approval that details how the funds will be spent. (For more on federations, see Chapter 18-5, Libraries and Library Organizations.)

Federal Funding Sources

On occasion, federal grants for specific programs become available for libraries. Trustees and directors can learn about these and other grant opportunities through library literature.

Two of the most common sources of federal funds for library services in Montana are the Library Services and Technology Act and the Telecommunications Discount Program (E-Rate).

Library Services and Technology Act

The Library Services and Technology Act (LSTA) grant program is designed to serve all types of libraries: public, academic, research, school, special and consortia libraries. Administered by the Institute of Museum and Library Services (IMLS), a federal agency, LSTA provides annual funding to all state library agencies to “develop library networks to share library information resources across institutional, local and state boundaries and to reach those for whom library use requires extra effort or special materials.”

The act also authorizes a national grant competition for education and training, research and demonstration, preservation and digitization, and models of cooperation between libraries and museums. In addition, IMLS provides grants to improve Native American and Native Hawaiian library services.

In Montana, the State Library Commission administers LSTA grant funds. The amount of money received each year varies, depending on the funding LSTA receives in each federal budget. The funds awarded to Montana are used for State Library programs, such as the Talking Book Library and the Library Development Department, or for statewide projects such as the Montana Library Network and Montana Shared Catalog.

Telecommunications Discount Program (E-Rate)

Since 1997, the federal Telecommunications Discount Program has provided Montana libraries discounts on eligible telecommunications services ranging from 20 percent to 90 percent, depending on economic need and location. Commonly referred to as the “E-Rate program,” it is administered through the nonprofit Universal Service Administrative Company (USAC), which was established by the Federal Communications Commission (FCC) to implement the Telecommunications Act of 1996. The Schools and Libraries Division of USAC administers the schools and libraries program.

Schools and Libraries Division, USAC E-Rate
Fund Administrators
www.universalservice.org/sl

The determination of economic need is based upon the percentage of students eligible for participation in the national school lunch program. Libraries use a weighted discount percentage, which includes figures for all of the schools in the school district in which the library is located.

Money Matters

The Board is responsible for ensuring that there are adequate funds for all operations of the library. This vital function requires that Board members:

- ✓ understand library funding laws
- ✓ have a knowledge of other funding sources
- ✓ develop a working relationship with the appropriate governing body
- ✓ be willing to seek prospective funding sources for the library
- ✓ ask other libraries how they meet their funding needs
- ✓ explore ways of sharing resources with other libraries
- ✓ explore community resources
- ✓ be innovative

Services covered by E-Rate range from basic local and long-distance phone services to Internet access services. Acquisition and installation of equipment to provide networked access to these services are also covered.

To apply for E-Rate discounts, a library must meet the Montana Public Library Standards. For Internet discounts, a library must develop, submit and receive approval of a technology plan to ensure that the library has the ability to use the discounted services once they are purchased. (For more information on technology plans, see Chapter 15-4, Planning for the Future.)

Other Funding Sources

As funding needs increase, many libraries seek grants from foundations, corporations, endowments and government agencies. Local businesses are another option. Boards can solicit funds from these businesses directly or determine if the business has a community support program. The Board might also want to explore partnerships with civic organizations for special products or fund-raising activities. Possible groups include the Kiwanis, Rotary Club, Jaycees, Lions, League of Women Voters and local youth groups.

Another consideration for the Board is to encourage endowments from individuals or memorials in the form of gifts to the library. Some Montana libraries have gone a step further and established their own foundations. A library foundation functions as a separate entity and can attain nonprofit tax status from the Internal Revenue Service, so that gifts are tax deductible for the donors. Establishing a library foundation also opens up the potential of funds from other foundations that do not give grants to tax-supported agencies. (See Chapter 17-2, Community Partners.)

Valuable resources for Boards seeking information on grant funds are materials produced by the Foundation Center. This is a national service organization founded and supported by foundations to provide information on foundation and corporate giving. Among its primary activities are publishing reference books and offering online searchable databases on grants.

There are five Foundation Center libraries in the United States. These are located in New York, Washington, D.C., Atlanta, Cleveland and San Francisco. In addition, Foundation Center Cooperating Collections are located in each state to provide a core reference collection of Foundation Center publications, other materials and services useful to grant seekers.

The Foundation Center
www.foundationcenter.org

Foundation Center
Cooperating Collections
in Montana
www.foundationcenter.org/collections/ccmt.html

Building the Budget

Once you know where funding comes from and how much you can expect, you can begin to prepare the budget. Budgeting is vital to the library's planning process and one of the most important Board functions.

The budgeting process includes the following steps:

1. Define the library's goals for the upcoming year based on the library's long-range plan. What does the library really need? Base the budget on those needs. The budget will change as the goals change.
2. Gather information to project costs of providing services and meeting the year's goals.
3. Estimate potential income from taxes, gifts, fines, fees, grants and any other possible source of income.
4. Compare costs and income to see if all the goals can be met. If income exceeds or equals costs, the budgeting process continues.
5. Adjust objectives if funding doesn't cover goals, or search for additional funding.
6. Present the written budget to the funding body.

The Board and the director work on the budget together but, ultimately, the Board is responsible for its approval and will typically present it to the entity with funding authority, within the required time frame and procedural steps. It is important for Board members to support the budget and speak out for library funding.

As in any planning activity, it is important to establish a schedule. A comprehensive, balanced budget cannot be compiled overnight. Allow adequate time for planning, gathering information, reviewing goals and producing a finished product that will allow the library to meet the community's needs for library services.

The schedule on the next page shows specific steps for building the budget. Key dates are also included in the calendar in Appendix C.

***Sample Budget Planning Calendar
Based on a July 1 to June 30 Fiscal Year***

December	Establish goals and objectives for coming year based on staff, community and other input. Distribute goals and objectives with request for appropriate strategies.
January	Review strategies and budget requests. Prioritize objectives determined in December. Assign committee to work with the director to prepare a draft budget for review. Reconfirm projected revenue information.
February	Review draft budget prepared by director and committee.
March	Consider holding a public hearing on draft preliminary budget. Adopt preliminary budget.
April	Submit preliminary budget request or certified budget to funding body.
May	Continue to work with submitted request or budget. Adopt final budget for next year and submit it to appropriate authority (if possible).
June	Review and finalize any adjustments in closing out the present year.
July - December	Review goals and objectives. Review budget report each month.

Following the Money

Boards have control over the library's expenditures. While the Board should delegate the power to purchase materials, supplies and other goods to the library director, it should be aware of all purchases and monitor the budget monthly throughout the year.

The director should provide the Board with a monthly statement that shows at minimum:

- monthly income
- total income for the year
- cash on hand
- monthly expenditures by budget category
- cumulative expenditures for the year by budget expenditure
- a list of library accounts, including checking and savings accounts, and certificates of deposit

When reviewing the reports, look for yearly patterns of expenditures, such as energy bills in the winter, fees for building repairs or grounds maintenance in the summer, special program costs such as those associated with summer reading programs, and purchases of supplies and materials that occur once or twice a year.

This is also a good time to compare budget figures with actual amounts. Is the income as you expected? If not, the Board needs to find out why and make adjustments in the budget if necessary. Compare actual expenditures with budget amounts as well. Unusually high and low expenditures need to be explained by the director. If costs are greater than expected, the Board might have to adjust the budget. You also need to know why funds are not being spent. Perhaps an underspent book budget means the staff does not have the time to make book selections, and that funding more staff is becoming a priority.
