Urban Libraries Council

Governance & Revenue Structures:

New Field Data on Metropolitan Public Libraries

ANALYSIS AND CONCLUSIONS - APRIL 2004

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New Field Data on Metropolitan Public Libraries

From the Urban Libraries Council – April 2004

Metropolitan public libraries appear stable, despite current economic turbulence. In this survey:

- More libraries experienced increases in general operating revenues from 2002 to 2003, than experienced decreases.
- Governance structures did not change significantly over the past five years.
- Funding continued to come predominantly from local sources, in particular from dedicated taxes.
- Use of private funding arms, both development departments and non-profit foundations, is on the rise.
- Many libraries have been actively using budget management tools to realign their organizations and to provide their communities with new formats, collections, programs, and facilities that meet community needs.

Traditional reliance on local government budgets has given public libraries a revenue base that is relatively stable in comparison to service organizations in the non-profit and corporate worlds. Nevertheless, economic turbulence in the general economy has impacted library revenues. The recent rapid contraction of state and local revenues has constrained the growth of many public library operating budgets, despite new resource, program and facility demands. The rapid transformation of the public library as a provider of digital collections, literacy programs, and computer training, are factors that have many libraries questioning the adequacy of traditional revenue streams.

When surveyed on what the biggest challenge to public revenues is today, Urban Libraries Council members agreed - three to one - that the challenge is adequacy of library funding, rather than stability of funding. Before taking the dowsing wand to discover new sources of revenues, ULC conducted a member survey to capture a snapshot of the present condition of public library governance and revenue structures. Ninety-six (96) ULC member libraries participated in this survey in late 2003, providing new data to consider as institutions prepare for the future.

Diversity of Institutional Governance Structures

Public libraries are one of the strongest institutions in metropolitan areas today. They have vast infrastructure – multiple facilities, skilled and smart staff, increasingly sophisticated technology, a "business" integral to the information economy, and strong community connections, grounded in the guidance of community boards and diversity of customers. They are also complex institutions. In many cases, libraries are responsible to various levels of authority – established by state law, funded with local government appropriations, operated as independent units, and guided by board policies.

Organizational Structure. The diversity of organizational structures in the metropolitan public library world is remarkable, see Figure 1. While a large number of libraries are traditional departments in municipal or county governments (40), there is also a mix of special districts (22), independent agencies (25), and non-profit organizations (12). Some are units of other kinds of organizations, such as school districts.

Only two libraries report major structural shifts in recent years. The Phoenix Public Library moved from being a part of the Parks and Recreation Department of the city to its own department in 2001. The St. Paul Public Library recently became an independent agency of the city.

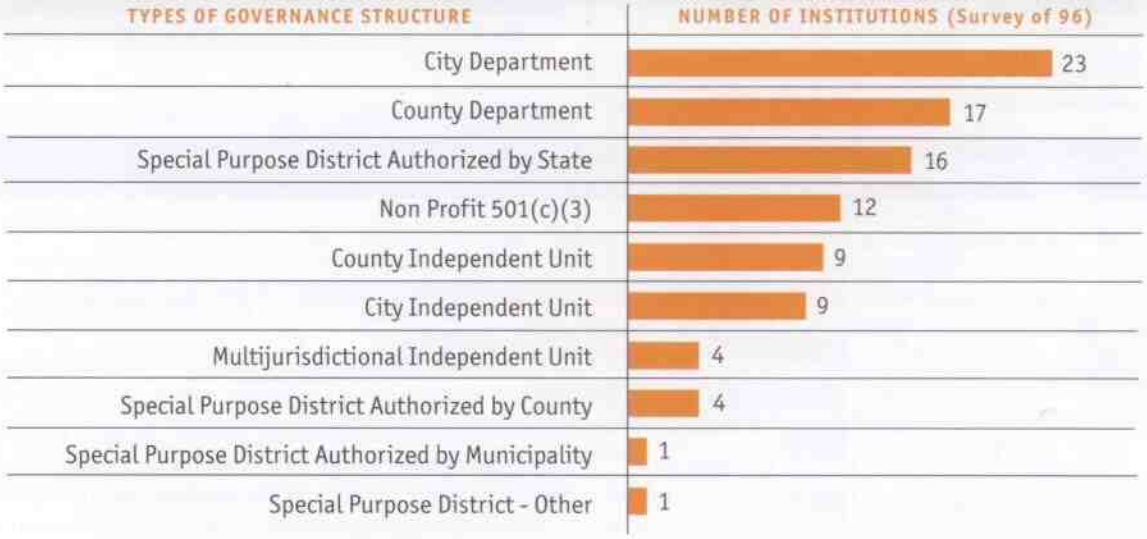
Board Goverance. A characteristic of public library governance is the role of community boards. While some public libraries do not have boards, most libraries do work with boards that are either authority or advisory in nature. Of the 72 libraries led by authority boards in this survey, 61 have appointed board members, placed on the board by elected officials such as mayors, county executives, city councils, and county commissions. Nine (9) libraries have some board members appointed by the board of education or a school district board. Twenty-one (21) libraries are governed by advisory boards, of which 19 have appointed members. Sixty-nine percent (69%) of public library directors report directly to their board, 16% report to county or city managers, and 11% report directly to elected officials.

Over half the surveyed libraries have boards with under 10 members. In New York Public Library, Enoch Pratt Free Library (Baltimore), Providence Public

TABLE 1: Size of Boards (n=90)

SIZE OF BOARD	NUMBER OF LIBRARIES
40+	1
30-39	3
20-29	6
10-19	28
1-9	52

FIGURE 1: Public Library Governance Structures



Library and the Carnegie Library of Pittsburgh, boards have 30 or more members. See Table 1.

Terms of board members vary. Thirty-eight (38) library boards have term limits, with the most common configuration being four terms of two years each. Generally, board terms are three years (25 libraries), four years (21 libraries), or five years (16 libraries.)

Community stakeholder perspectives and connections to community leaders are important aspects of the civic clout boards contribute to library governance. In this survey, 26% of library boards were rated as "first tier," in terms of civic clout, while 45% were rated "second tier" and 28% were rated as "third tier."

The cumulative race/ethnicity mix of library board members in this survey reflects a traditional power structure – 74% White and 91% over 40 years of age (53% over 55 years of age). When looking at boards individually, it is apparent that some communities are recruiting board members that match community demographics. Tables 2 and 3 summarize the information on board members provided (not all libraries responded).

Financial and Administrative Powers. Metropolitan public libraries have varying degrees of financial and administrative power, ranging from the authority to adopt budgets and levy taxes and bonds, to more limited advisory powers, such as recommending policy. Sixty-nine percent (69%) of libraries report the ability to adopt their own budget, 46% say they have total control over budget expenditures and amendments, and 44% have authority to move money from one budget program to another (i.e., from personnel to buildings). Administratively, 45% of libraries are required to use their city or county's personnel and purchasing departments.

Taxing capacity of libraries, one of the major tools for influencing the organizational revenue destiny, is varied. As illustrated in Figure 2, 30 libraries have the capacity to levy taxes, 21 have bond capacity, 4 have excess levy capacity, and 2 have sales tax capacity. While many libraries have more than one category of taxing capacity, 53 libraries have no taxing capacity at all. A small number of library boards have direct authority related to taxes and bonds--14 can call for a tax election, 16 can call for a bond election, 16 can authorize new taxes and 12 can authorize new bond levies. Other libraries work with their revenue authorities on those initiatives. Administratively, some localities allow new tax base growth to accumulate in capital reserve funds that can be used for future capital and operations budgets. In other places, the millage is rolled back when new growth or increased value assessments expand tax revenues.

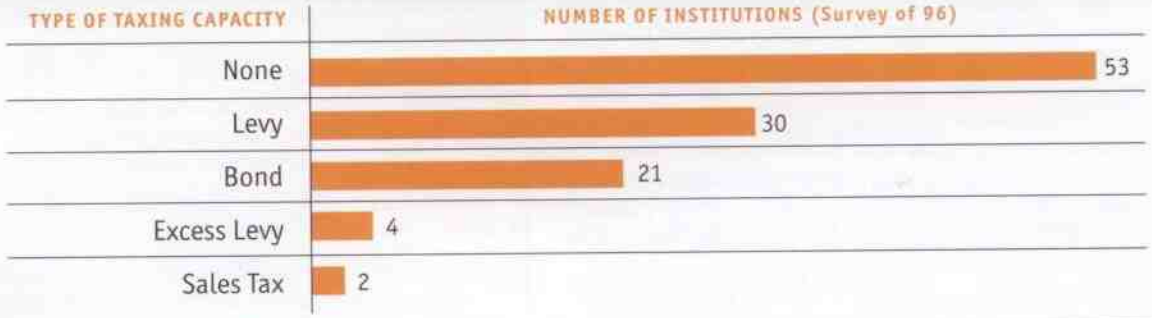
TABLE 2: Board Demographics—Race/Ethnicity

RACE/ETHNICITY	NUMBER OF BOARD MEMBERS (% OF TOTAL)
White	639 (74%)
African American	150 (17%)
Hispanic	50 (6%)
Asian American	21 (2%)
Native American	7 (1%)

TABLE 3: Board Demographics—Age
(Data provided for 801 Board Members)

AGE	NUMBER OF BOARD MEMBERS (% OF TOTAL)
Under 25	2 (.02%)
25-40	68 (8%)
41-55	303 (37.8%)
56+	428 (53%)

FIGURE 2: Taxing Capacity of Library



Diversity of Revenue Streams

Metropolitan public libraries today are supported with a wide array of funding sources. Figure 3 on the next page illustrates the number of the 96 survey respondents that tap into each of the 20 categories of funding.

Local Sources. Local sources of revenue are the primary source of public library funding. Fifty-three percent (53%) of libraries report receiving over 90% of their funds from local revenue streams. In another 29% of libraries, local sources represent 80-89% of total operating budget revenues in 2003.

At the local level, primary revenue sources are dedicated property taxes and General Fund appropriations. Fifty-three (53) libraries are supported with dedicated property taxes, 47 receive General Fund appropriations, 25 receive local capital bond support for operating revenues, and two are supported with dedicated sales taxes. A significant number (12) are supported with other dedicated taxes, including income, excise, financial institutions, parcel, timber, commercial vehicle excise, leasehold excise, and motor vehicle taxes. San Jose Public Library has a library benefit assessment district and the Carnegie Library of Pittsburgh is funded with Allegheny Regional Asset District assessments. General taxes that partially support some libraries include mining, motor vehicle, rental excise, recreational vehicle, surplus, and auto ownership taxes. Other local revenue sources include fines, fees, grants, service contracts with other local government units, interlibrary exchange agreements, public facilities fees, and interest. Residents in Michigan can "speed to the library," as the state law authorizes library revenue from fines associated with local speeding tickets.

There is also considerable local support for financing library capital projects. The following table summarizes the projects currently in library five-year capital plans.

TABLE 4: Current Library Capital Projects

NUMBER OF PROJECTS (planning, construction or both)	TOTAL DOLLAR VALUE OF PROJECTS
Main Libraries - 38	$947,000,000
Branch Libraries - 475	$1,542,000,000
Bond Elections - 6	$336,000,000

State Sources. Public library access to state revenues varies. Some libraries report heavy reliance on state sources, particularly in Ohio as a result of state law provisions - Cincinnati-Hamilton County (95%), Youngstown (85%), Toledo (71%), and half of the Cleveland and Cuyahoga County budgets are supported with state dollars. Minneapolis, Enoch Pratt and East Baton Rouge libraries all receive around 40% of their funding from state sources. Fifteen (15) libraries receive from 10-19% of their funding from state sources and 50 libraries show that 1-9% of their funding comes from state sources.

In terms of state sources, only 12 of the surveyed libraries report having access to state general fund income tax, 9 to state general fund sales tax, 7 to state dedicated property tax and 7 to state general fund property tax. Other dedicated state tax sources are less common, however Skokie (IL) Public Library receives a small amount of revenue from the corporate replacement tax and Ft. Vancouver Regional Library receives money from the timber tax. On the other hand, there is a wide variety and use of other state tax supported general funds, including:

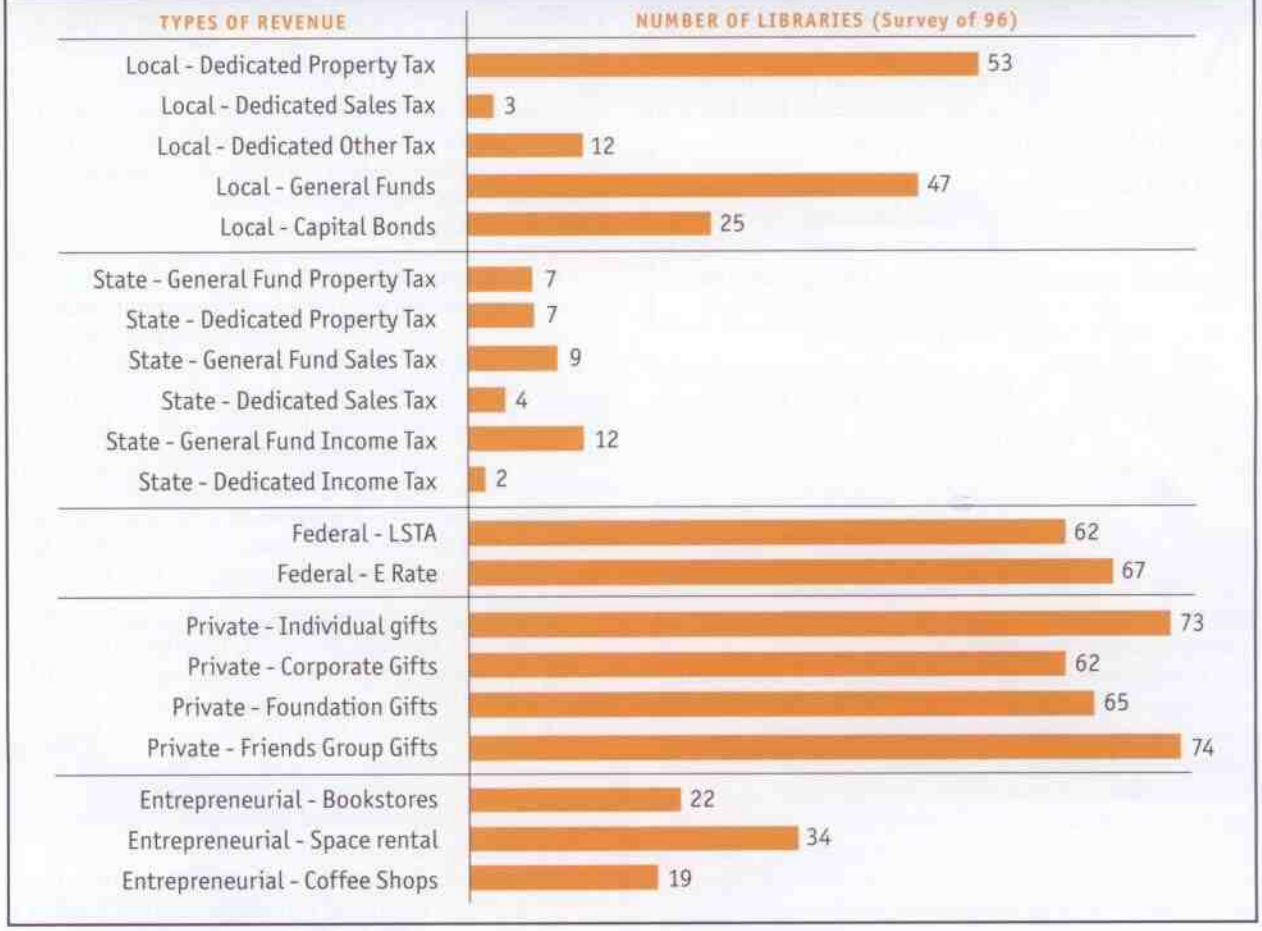
- general fund appropriations (Anchorage AK, Buffalo & Erie County NY, Detroit MI),
- appropriations from the state Department of Education (Brooklyn Public Library),
- the Technology Information Fund (El Paso Public Library),
- state aid funds (Arizona, California, Florida, Louisiana, Maryland, Michigan, Missouri, Oklahoma),
- grants from state library agencies and contracts for special services (Milwaukee Public Library has a contract for Blind and Physically Handicapped Services, Queens Borough Public Library receives state money for Adult Literacy Services), and
- grants (Multnomah County (OR) Public Library receives a state "Ready to Read" grant).

Some libraries receive dedicated state fee revenues. For example, Solano County (CA) Library receives a percentage of impact fees collected in new growth areas.

Federal Sources. Public library funding from federal sources is more common, though it represents a very small percent of overall public library operating revenues. Only 18 libraries report that federal revenue dollars represent over 1% of their operating budgets in 2003. The highest federal revenue percentage was reported by Kern County (15%); followed by El Paso TX (6%); Saginaw MI, DeKalb GA, and Hartford CT (4%); and Brooklyn NY and Milwaukee WI (3%).

In terms of federal funding, 67 of reporting libraries receive federal e-rate money and 62 receive federal Library Services and Technology Act (LSTA)

FIGURE 3: Revenue Sources for ULC Public Libraries



money. Other federal government support dollars come from diverse sources such as:

- special appropriations (Brooklyn NY),
- National Endowment of the Humanities grants (Denver Public Library and New York Public Library),
- Temporary Assistance for Needy Families money from the US Department of Labor (Kern County, Queens, and Los Angeles County),
- Community Development Block Grant money from the Department of Housing and Urban Development (Milwaukee WI),
- summer employment (Ottowa Canada),
- "Weed and Seed" and Empowerment Zone programs (Minneapolis MN),
- Americorps (King County WA),
- US Department of Education money for Adult Literacy (Las Vegas NV),
- Department of Education "No Child Left Behind" (Queens Borough NY), and
- an "Early Words" grant (Multnomah County OR).

Private Sources. Public libraries are tapping into all areas of private funding sources – individuals, corporations, foundations and Friends groups. The ULC survey shows 74 of libraries receiving money from Friends organizations and 73 receiving other individual gifts. Sixty-five (65) libraries receive gifts from foundations and 62 receive corporate gifts. Providence Public Library reports the highest percentage of funding from private streams (40% of their 2003 General Operating budget). A small number of libraries report private funding in the 5-10% range (Boston, Brooklyn, Denver, Enoch Pratt, Hartford, New York Public, Redwood City, Saginaw, and San Antonio); however, most libraries are funded from private sources only in a marginal way at present.

Sixty-four (64) libraries currently have 501(c)(3) library foundations and 30 have development departments. In 2002, library foundations raised a total of 36 million dollars. In that year, eleven library foundations and eight library development departments raised over one million dollars, as reported in Table 5.

There has been tremendous growth of foundations recently. Fifty (50) of the 64 foundations were established after 1980. Two foundations have over 15 people on staff (Free Library of Philadelphia and Los Angeles Public Library). Thirty-four (34) library foundations are staffed with three or fewer full-time people. Twenty-three (23) development departments operate with three or fewer full-time staff. More information about fundraising and staffing is included with this report as Chart 1, Private Fundraising in Public Libraries.

Library foundations have been successful in securing funding for a variety of functions. Currently, 54 raise money for programs, 50 for special events, 48 for collections, 45 for endowments, 37 for building campaigns and 11 raise money for general operations.

Entrepreneurial Sources. Many public libraries are now engaged in entrepreneurial ventures. Thirty-four (34) libraries rent or lease building space for events. Twenty-two (22) operate bookstores and 19 libraries operate coffee shops. Other innovative entrepreneurial activities include contracted internet services (Baltimore County and Carroll County MD), fee-based business information (Los Angeles), video and DVD rental (Baltimore County), selling donated magazines ("Pennies for Periodicals" in Kern County CA), contracting for reciprocal buying with adjacent counties (Ocean County NJ and Cleveland's CLEVNET), lawyer referral services (Carroll County MD), digitized photo sales (Denver), patent services (Detroit), an online store (Boston) and motion picture filming permits (Los Angeles). Eleven percent (11%) of San Jose Public Library's 2003 operating revenues came from entrepreneurial sources, including consulting fees generated by the Innovate Service Model (automated self-service) training team.

More detailed information on individual library access to these various funding streams is included with this report as Chart 2, Revenue Sources for Public Libraries.

TABLE 5: Significant Private Library Contributions in FY 2002
(Foundations and Development Departments that raised over $1 million)

LIBRARY FOUNDATIONS		LIBRARY DEVELOPMENT DEPARTMENTS	
Philadelphia PA -	$6,500,000.00	Memphis TN -	$21,500,000.00
Los Angeles CA -	$5,000,000.00	New York NY -	$7,900,000.00
Seattle WA -	$4,800,000.00	Kern County CA -	$3,700.000.00
Brooklyn NY -	$2,800,000.00	Baltimore MD -	$2,700.000.00
Broward County FL -	$2,300,000.00	Providence RI -	$2,700.000.00
Denver CO -	$1,600,000.00	Houston TX -	$1,500,000.00
Chicago IL -	$1,200,000.00	El Paso TX -	$1,500,000.00
Tulsa OK -	$1,100,000.00	Hartford CT -	$2,100,000.00
Boston MA -	$1,000,000.00		
San Antonio TX -	$1,000,000.00		

Budget Adjustment Strategies

Despite the recent national economic slump, operating budgets of many libraries appear to be increasing. Sixty-two percent (62%) of the surveyed libraries reported an increase in their FY 2003 general operating budgets over FY 2002 amounts, while 24% experienced budget reductions. Libraries enjoying significant operating budget increases include a 26% increase in Miami-Dade County (operating budget of $62.7 million), 16% in King County WA (budget of $72 million), 28% in Lee County FL (budget of $23.6 million), 19% in Palm Beach FL (budget of $31.4 million), and a 19% increase in Jefferson County CO (budget of $22.7 million).

Millions of budget dollars, however, were cut in some cases. The largest budget reductions of FY 2003 were cut at the three New York City libraries – New York Public (9%), Brooklyn (5%) and Queens (7.5%), in Broward County FL (9.5%), and in the operating budgets of libraries in Seattle (11.4%) and Spokane (21%). In the cases of Seattle and Spokane, libraries took the same level of cuts as their appropriation sources.

A variety of reduction strategies were used to effect budget savings in 2003, see Figure 4 on the next page. In most cases, these were tough management decisions rather than decisions mandated by appropriating authorities. For example, in the case of the Seattle Public Library, skillful negotiations with the union for limited unpaid leave alleviated the need for branch closings. More detailed information about library use of these strategies is included with this report as Chart 3, Managing Budget Reductions.

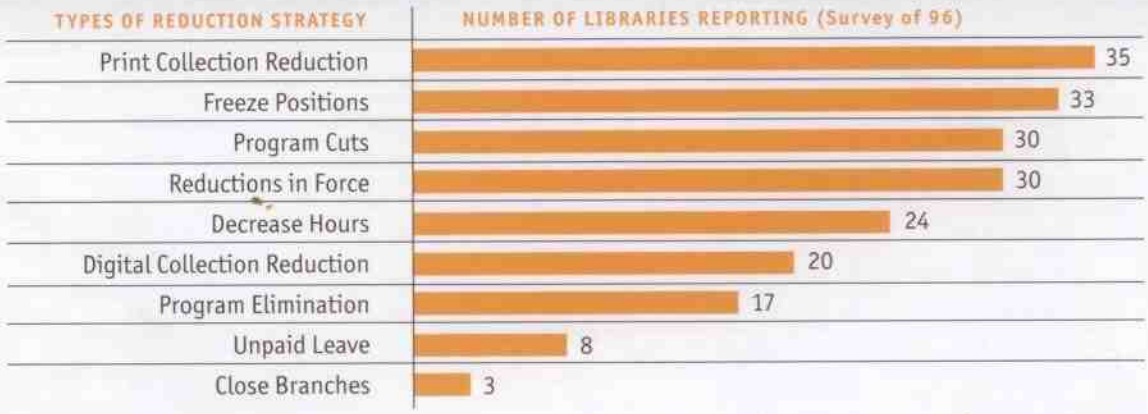
Not surprisingly, reduction of the print collection was the most commonly used cutback tool (used by 35 libraries), followed by freezing positions (33 libraries). Reductions in force and program cuts were strategies deployed by 30 libraries. Twenty-four (24) libraries decreased hours and 16 eliminated programs. Three libraries reported having to close branches and 8 libraries instituted unpaid leave. Six libraries found ways to outsource services in the areas of public relations support, technical services, copy center services and materials processing.

When libraries were asked which tool they relied on as their *major* strategy for 2003 budget reductions, they identified Reductions in Force, though a significant number also reported that freezing positions was a major strategy.

Other ways libraries have achieved resource savings include:

- temporary branch closings,
- voluntary unpaid leave,
- utility savings and recycling,
- work changes, including reduced in-house meetings to increase customer service,
- curtailing outreach,
- decreasing outsourcing and consultants,
- using email rather than mail in notification of holds and overdues,
- travel cuts and freezes,
- training and staff development cuts,
- deferred maintenance and replacement of equipment,
- benefit reductions, and
- reducing overtime.

FIGURE 4: Public Library Use of Budget Reduction Strategies



Outlook for the Future

When asked about the budget outlook for 2005, half of the libraries responded that they anticipated that revenues would rise, and only 15% projected that revenues would decrease. In line with data from 2003, the most optimism was seen in responses from libraries in southern Florida, Providence, Kansas City and Cuyahoga County OH. The strongest projections of continuing budget reductions came from libraries in California, Alaska, and New York City. When asked more specifically about funding stream shifts in the next five years, most libraries indicated confidence that local, private, and entrepreneurial sources would increase, and expected that state and federal funding would decline.

These responses indicate that libraries have a sense of "optimistic realism" about future funding support. They reflect resilience in light of today's economic challenges, and forward-thinking stewardship of the increasingly diverse budgets they will need to build and manage in the years to come.

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