

# TRUSTEE TOPICS

Prepared by the  
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## BUDGET ISSUES FOR LIBRARY TRUSTEES

### GOAL:

The goal of this Trustee Topic is to help library trustees understand the Kansas public library budget process.

### BACKGROUND:

Effective and stable library funding should be a top priority with every public library trustee. Library budget development must respond to the needs of the library and the governmental considerations within which the budget will be approved. The best strategy for the library board to pursue depends partly on the political/social/economic climate of the library service area. It takes thought and planning to market a budget plan that will meet the realistic needs of the library and still be accepted by local government. But there are some procedures that are common to the budget process in Kansas public libraries. A clear understanding of these will help the director and trustees plan their budget strategy for the coming years.

### ISSUES:

#### The Library Board's Authority

The library budget should be created by the staff and the library board to meet the realistic needs of the library, as stated in the library strategic plan. Too many public libraries are continuing to plan to a budget when they should be budgeting to a plan.

K.S.A. 12-1220 states that the library budget shall be kept in a separate fund to be known as the library fund of the municipality. It also states that the municipality “shall annually levy a tax in such sum as the library board shall determine.”

Public libraries in Kansas must operate under the Cash Basis Law, which states that the board may not create any indebtedness in excess of the amount of money on hand in the treasury. The exception to the Cash Basis Law is the accruing capital improvement fund (K.S.A. 12-1258).

With the end of the tax lid in 1998, library budgets do not fall under a levy limit unless the municipality has established one by charter ordinance. The library board has the authority to draft the library budget and submit it to the parent municipality. But the library’s needs must be effectively marketed to the governing authority to win their ongoing support.

#### Home Rule Under Current Law

The municipality has the authority to set a library levy by charter ordinance in a city or by charter resolution in a county. If a library levy is established by the municipality, it should result from negotiation between the governing body and the library board.

If the established levy is too low to meet the library’s needs, it will be necessary for the library board and the library supporters to negotiate for a higher levy. A marketing campaign to establish the library’s needs and the library’s support can win this objective, but it takes time and good communication.

Some municipalities choose to make a direct contribution to the library budget from municipal funds to supplement the tax support. Determining whether this is a wise strategy for the library requires an understanding of the local politics of financial support.

## Tax Income

Although the total income of public libraries is derived from a variety of resources, the basic budget depends on tax income. It is important that other sources of income not reduce the amount of income derived from taxes. The maintenance of tax income is necessary to prevent threat to the library's eligibility for state aid payments, and, in some systems, the system grant as well.

The library director and trustees should learn the schedule under which the municipality receives tax funds from the county treasurer. The library may receive disbursement of these funds after they have been distributed to the local governing body.

A Kansas public library may place up to 10% of its tax income in an accruing capital improvement fund. K.S.A. 12-1258 gives public library boards the authority to create a library capital development fund. These funds may be accumulated and do not have to be expended by the end of the budget year as do other tax monies. Non-tax monies may be placed in the capital improvement fund at any time.

Capital improvement funds are designed to support major projects that the library staff and trustees would find difficult to pay for from general operating funds. But if necessary, the library can take the contribution from the capital improvement fund and return it to the general operating fund.

There have been recent changes in Kansas law regarding tax support for public libraries. The tax lid was allowed to sunset in 1998. A senate bill removed statutory municipal levy limits in libraries which had not previously established a home rule charter ordinance that specified a higher levy than the one allowed by the tax lid. In libraries without a charter ordinance, the library board must annually pass a resolution increasing the library budget.

Questions on tax support should be referred to system personnel or to the public library consultant at the Kansas State Library.

## Non-Tax Income

Non-tax income for libraries includes, but is not limited to, funds derived from fines, fees, interest on accounts, endowments, memorials, gifts, grants and contributions to community fundraising.

Non-tax income is increasingly important to Kansas libraries. It is rarely possible to have good library service without substantial supplements to public support. Both capable directors and committed trustees spend increasing amounts of time building the library's non-tax income into a stable part of the library's financial support.

Kansas statutes do not require municipal libraries to include non-tax monies in the city's public budget. It is not advisable to include such items because outside funds cannot be used to reduce public support without jeopardizing the library's state aid grant and in some systems, the regional system grant.

If local audit requirements make it necessary to list outside monies, these monies should be clearly identified as non-tax monies that cannot be used to reduce the local tax obligation.

## State Aid

The term state aid refers to state general funds that are appropriated to support Kansas public library service. One-third of the appropriation is distributed to the seven regional library systems. Two-thirds are distributed to the eligible public libraries on a per capita basis. The per capita amount varies slightly from one year to the next as populations change.

A public library remains eligible for state aid payments, and in some systems, for system grants as well, by maintaining the level of local support for the library.

State aid grants are distributed in one payment after the state library staff certifies the eligible public libraries and the amounts they are to receive. They may be used for any public library purpose except construction, repair or debt reduction.

State aid funds must be spent or legally encumbered by December 31st of each year. Each library or system receiving a state aid grant must submit an annual report to the state library that states how the funds were expended or encumbered.

The top priority of the KLA Legislative Committee and one of the top priorities of the Kansas Library Trustee Association is to build the state aid appropriation through legislative action until it equals 10% of operating funds for Kansas public libraries.

#### ACTION STEPS:

- The library board should receive financial reports before every board meeting. The library trustees should become thoroughly familiar with the library's priorities, problems and resources. An educated board does result in better library service.
- The library board should actively encourage the library director to work with system and state library consultants to clarify funding issues and bring reliable information to the trustees. If there is a serious concern, the director and board should meet with system personnel and/or state library consultants to plan strategy.
- The library staff and trustees need to prepare an annual line item budget that specifies the allocation to each budget fund. The library budget is separate by statute and should not be simply a line item in the municipal budget.
- The library staff and trustees should also prepare a program budget that describes how the budget will translate into specific library services for specific library users. If an oral report is made to the governing authority, it should focus on the program budget.

The program budget should not only document what the library's priorities are, but why they have been chosen. The question to be answered is: How does the library board know that these services are the ones needed by the local community?

- A good library is always fiscally hungry. The library's goals should always exceed the capabilities of the library budget. If a gift or windfall becomes available, the director and library board should know how the library needs to spend it. Healthy fiscal hunger will motivate grant writing and/or community fundraising.
- The library board should safeguard the library's state aid funding and system grant by working with local government to maintain local support.
- Library trustees should be willing to serve as advocates for library funding with both local and state government. Meetings with system and state library personnel can clarify the issues and help the directors and trustees advocate effectively.

#### SOURCES:

- The material in this handout has been drawn from Kansas Statutes and Kansas Administrative Regulations. Some of it has been adapted from *The Kansas Public Library Handbook*, State Library of Kansas, 1998.