

TRUSTEE CORE SKILL THREE: Trustees shall be knowledgeable about the library's annual budget and skilled in advocating for the library's needs with local government, community leadership and state government.

DEVELOPMENT OF GOOD BUDGET SUPPORT

Introduction

Effective and stable library funding should be a top priority for 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.

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 library capital improvement fund (K.S.A. 12-1258).

Since 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 improvement 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.

Statutory levy limits have been repealed for all libraries unless a charter ordinance that establishes such a limit is in place. 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 State Library of Kansas.

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, system grants, other 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 library board should safeguard the library's state aid funding and system grant by working with local government to maintain local support.

Good Practices

The library's budget process should be understood as a continuous cycle that proceeds through the year. Budget preparation should reflect the current projects and ongoing priorities of the library.

The library board should actively encourage the library director to work with system 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 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. If it is a line item in the municipal budget, the library board should still prepare a budget and a verbal or written defense of that 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 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.

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MARKETING TO LOCAL GOVERNMENT FOR EFFECTIVE SUPPORT

Building a Relationship

Librarians should get to know the members of local government who have funding authority. It should never be assumed that local officials understand what the public library is doing. Many are not library users. Many are carrying outdated perceptions of public libraries and do not know how the library's role is changing.

Local officials should be sent newsletters, brochures, publicity for programs, news clippings and brief, pithy annual reports. They should be sent a library card. The library's best accomplishments should be marketed with carefully designed publicity.

Librarians and trustees can learn a lot about local government by attending official meetings. These meetings are open to the public and they are an opportunity to gather valuable information.

The librarian and trustees should plan personal meetings with key officials when budget negotiations are not active so that the focus can be on the library's accomplishments and most pressing needs. It is often wise to involve a highly respected community leader who supports the library. Such a meeting should be carefully planned to present the library in the best possible way. It should always include a handout that repeats the major points in simple bulleted form.

Officials who seem receptive and interested should be invited to the library. Such visits can be used to market both the library's assets and its liabilities. The staff should be cordial and welcoming and prepared to offer refreshments.

These meetings are especially valuable when the library director and board want to start a new program or service at the library. Having a special focus on an urgently needed new service can be very effective but only if the need is documented and marketed in a sophisticated way.

An adversarial relationship with local government is never acceptable, even though the provocation sometimes exists. Both staff and trustees should maintain impeccable courtesy. If one local official is totally uninterested in the library, marketing attention should be turned to another, but without acrimony.

Local government should be thanked for support, even if it is inadequate. Staff and trustees should emphasize the continued support that is expected in the future. But it should be very clear that the library and its supporters are NOT going to go away.

The human side of marketing should never stop with local government. Other partnerships with community leadership may actually be easier to pursue. The library director should get to know local

merchants, educators, local clubs and organizations. The best way to be a community leader is to be on the local scene as a community leader.

Above all the library staff should market to library users. Heavy library users are so basic to library service that sometimes they become invisible. But they are the library's customers and should be treated the way an excellent business would treat its customers.

Budget Advocacy

Annual budget preparation is an important opportunity to market both the library's needs and the library's accomplishments. Obviously, a line item budget should be presented but more and more libraries are also preparing a program budget.

The program budget allows the staff and board to highlight how different elements of the community will be served during the coming year. A program budget will show how library funds will be spent for:

- children
- young adults
- senior citizens
- residential centers
- programs
- access to electronic information
- computer training for the public
- interlibrary loan
- videos, audiotapes and other non-print collections.

A program budget gives information on how the library is actually impacting the quality of life in the community and how it is actually meeting the information and recreation needs of the residents. It is a terrific tool for marketing the library to the people whose support is critical.

If it is feasible at all, a verbal presentation should accompany the budget. The presentation should *not* be a review of figures, but a short, personable, interesting review of the past year plus a look ahead at the library's future priorities. If other municipal department heads make such a presentation, the library director and board should certainly make a request to do the same.

No matter how good the library support might be at the present, the library staff and board should quietly prepare for the day when the library's support might be threatened, so they can muster support from the community very quickly.

TRUSTEE CORE SKILL THREE – HANDOUT

Prepared by Laura DeBaun, Northeast Kansas Library System

Budget Issues for Trustees

Definitions:

Ad Valorem

- An ad-valorem tax (Latin: *by value*) is a tax based on the value of real estate or personal property.

Budget

- Financial plan that serves as an estimate of future expenditures, revenue or both.

Carryover

- Definition from Library Board perspective:
The total of all fund balances, which equals all cash in bank accounts and investments at year-end.
- Definition from the City or Township perspective:
The amount of tax dollars not distributed to the library before the fiscal year-end, or the amount of tax dollars not expended by the library.

Cash basis

- Method of bookkeeping by which revenues and expenditures are recorded when they are received and paid.

Fiscal Year

- Period of 12 consecutive months chosen by an entity as its accounting period which may or may not be a calendar year.

Budgets go through phases and stages. In planning the budget for the library, focus on the organization goals. Plan early, monitor constantly and set standards with care – there is no one-size-fits-all standard of public libraries of a certain size. The library board, with the library director, acts as the library's financial management and is responsible for planning, directing and monitoring of the budget. With all the effort required, remember no one knows more about your budget than you do – or cares more either.

The Budget cycle has three parts:

- Budget Planning and Presentation
- Budget Operation and Management
- Budget Evaluation and Analysis

Budget is determining and obtaining the funding necessary to meet the library's service goals.

Conversely, budgeting is determining what library services can be provided within the funding available.

K.S.A. 12-1220 states that “the governing body shall annually levy a tax for the maintenance of such library in such sum as the library board shall determine...” There are no statutory limits to the library levy, except those imposed by a home rule charter ordinance.

Since the library tax funding is levied through the city or township, the library trustees, in essence, must develop the library budget. Then, the trustees must focus on the pieces of the budget that are required by the taxing entity (city or township).

Libraries are not required to include any non-tax monies in city or township published budget. Some taxing entities have the library include system grants and state aid, but no other income. In other words, this published budget is a subset of the library budget. Granted, it’s the largest piece (the tax dollars), but it is not the entire budget. In order to be eligible for state aid, libraries must receive the same amount OR MORE in tax revenue than it did in the preceding year.

Expenditures of tax revenue may not exceed the published budget. Any remaining balance in the fund at the end of the current budget year shall be carried forward to the next budget year (KSA 79-2935).

Library Budget

- Includes all anticipated library income and expenditures
- Is the library’s basic financial planning tool
- No spending limit on non-tax revenue
- Is created and presented by the Library Director and the Library Board

Official City/Township Budget

- Sets the tax authority and expenditure authority limit for all city funds (including the library fund)
- Library income is usually limited to tax funds, possibly with state aid and system grants included.
- Library expenditure limit is based on funds above, and can not be exceeded, even if more tax revenue received.

Budget Process – Start to Finish Steps

Timeline

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| 1. Review strategic plan goals, determine library needs, and library income required to meet those needs. | January – March |
| 2. Present budget request in writing and at meeting of local governing body (city commission or township board). | March - May |
| 3. Approve resolution of intent to increase local tax income. | April – June |
| 4. Local government publishes budget and conducts public hearing. District libraries must take these steps directly. Other libraries should obtain copies of <i>all</i> pages of the official budget related to library funds. | July – August |
| 5. Determine final operating budget based on official budget and any other funding sources. | September – December |

Who does what:

Library Director

- Keeps library board informed of library activities, needs and concerns
- Prepares a draft budget request for discussion
- Explains monthly library expenditures to board
- Provides library board with monthly financial reports (with Treasurer)

Library Board Trustees

- Stays informed about library activities needs and concerns
- Reviews draft budget request
- Approves final budget request based on board-approved priorities
- Approves monthly expenditures – legally responsible for how funds are spent
- Reviews monthly financial reports – continual prioritization needed to match available funds to expenditures (recommendations from library director)

Library Director and Library Board Trustees

- Develop goals for library
- Present budget request to city council

TAX REVENUE DISBURSEMENT

January 20 th	These are the dates by which the County Treasurer must distribute tax revenues to the taxing subdivisions - cities, townships, etc. The library should receive its funds near these dates.
March 20 th	
June 6 th	
September 20 th	
October 31 st	
December 20 th (Motor Vehicle Tax only) – will not apply to all libraries –	

Tax distributions are required by K.S.A. 12-1678a to be distributed to the taxing entities ON OR BEFORE the above listed dates.

Additional Resources:

“Relevant Statutes:

- K.S.A. 12-1220 Establishment; tax levy; use of proceeds
- K.S.A. 12-1220 Power and duties of board
- K.S.A. 10-1101-1116 Cash basis law

“Kansas Sources:

- “Budget Issues for Library Trustees” in Trustee Topics: Caring for the Library Director’s Position, at <http://skyways.lib.ks.us/KLS/development/trusteetopics.html>.
- Warner, Alice Sizer. Budgeting: a how-to-do-it manual for librarians. Neal-Schuman Publishers, Inc., 1998.

“Other Online Sources:

- Accounting Terminology Guide, New York State Society of CPAs Web Site, http://www.nysscpa.org/prof_library/guide.htm#C