

Developing the Library Budget

The library budget is a tool for turning library dreams into reality. The budget determines the services that will be offered by your library and the resources devoted to each library program. A carefully developed budget will ensure that available funds are effectively utilized to realize your library's service objectives.

The Budget Development Process

The first step in developing a library budget is to look at what the library hopes to accomplish in the next year. The availability of a current strategic plan will make this step much easier, because the plan should already document your community's library service needs and the library activities necessary to meet those needs. So, at the point that the board wishes to begin planning the budget for the coming year, it should review the strategic plan and its chosen objectives, reflecting on the financial implications of the objectives for the coming year.

The second step is to determine the total financial resources necessary for what the library wants to accomplish in the coming year. Often, increased funding is necessary because of increased costs, increased usage, and/or new services that will be offered. Additional resources for new services can also be made available by shifting resources from a lower priority to a higher priority service.

Draft budget documents are prepared by the library director and library staff (following the format required by the municipality or county). (See attached *Sample Format of a Minimal Library Budget* for an example.) The library board and/or library board finance committee may have input into development of budget drafts. The board of trustees will then review the draft budget(s) with the director, propose changes, and finally approve a finished budget.

After the written budget documents are approved by the board and submitted to the municipality or county, the final step in the budget process is securing the funding needed to carry out the planned service program. Trustees, as volunteer public representatives, are especially effective budget advocates. Trustees should be involved in presenting, explaining, and supporting the library budget that was approved by the library board. (See also *Trustee Essential #13: Library Advocacy*.)

The board may need to make budget changes if the funding needed to balance the budget is not secured. Budget changes may also be required during the budget year if, for example, certain expenditures are higher than expected, or costs are lower than expected.

Sources of Funding

One of the most important responsibilities for library trustees is determining the appropriate level of funding for the library and working to secure that funding.

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In This Trustee Essential

- Goals of budgeting
- Steps in the budget development process
- Sources of library funding
- Budget terminology

Public library service in Wisconsin is provided through cooperative efforts at the state, public library system, and county and local level. The bulk of the funding for most Wisconsin public libraries is provided by the municipality or county that established the library.

Counties must reimburse libraries within the county or in an adjacent county for at least 70% of the cost of service to county residents who do not live in a library municipality. Payment requests must be submitted by July 1. Requests should be submitted to the county clerk, but some library system or county library services coordinate the requests. Municipalities can exempt themselves from the county library tax if they tax themselves for library service at a higher tax levy rate than the county.

Fines may be a source of library revenue, but the policy of charging fines is the subject of debate concerning their effectiveness in encouraging the return of materials, and concerning their public relations effects. In establishing a fine policy, a library board should consider not only the possible revenue but also the potential negative public relations effects.

Under Wisconsin law, public libraries may not charge fees for information-providing services. Fees and charges for such things as making computer printouts and using a copy machine are legal. Most fees, charges, and sales by public libraries are subject to the Wisconsin sales tax and any county and special sales taxes. For details, see <http://dpi.wi.gov/pld/boards-directors/administration/faq-pt5#sales-tax>.

Grants and gifts can be an excellent source of supplementary funds for special projects. In addition, community citizens are often willing to make significant donations to cover part or all of the costs of a new or remodeled library building.

Grants or donations should never be used to justify reducing or replacing the community's commitment to public funding. Donors will quit donating, volunteers will quit working, and granting organizations will quit awarding grants to your library if they see that their efforts are resulting in reduced public funding for the library instead of improved service. (See also *Trustee Essential #24: Library Friends and Library Foundations*.)

Desirable Budget Characteristics

There are four practical characteristics that your budget document should include.

1. **Clarity:** The budget presentation should be clear enough so every board member, every employee, and every municipal governing body member can understand what is being represented.
2. **Accuracy:** Budget documentation must support the validity of budget figures, and figures must be transcribed and reported carefully, without variation from the documentation.
3. **Consistency:** Budget presentations should retain the same format from period to period so that comparisons can be easily made. All budgets are comparative devices, used to show how what is being done now compares with what happened in the past and what is projected to happen in the future.

4. **Comprehensiveness:** Budget reports should include as complete a picture of fiscal activities as is possible. The only way to know the true cost of the library operation is to be certain that all revenue and expenditure categories are included within the budget.

Terms and Distinctions

Line item and program budgets

These are two of the most popular styles of budgets. The line item budget is organized around categories or lines of expenditures, and shows how much is spent on the various products and services that the library acquires. The program budget, designed to assist with planning, is organized around service programs (such as children's services, young adult services, reference services) and helps the library board and director see how much is spent on these individual areas. A program budget is usually sub-arranged in a line item style, so that the individual categories of expenditures for each program are also presented.

Operating vs. capital costs

In planning for the financial needs of the library and recording financial activities, it is important to keep operating and capital activities separated for reporting purposes. Operating activities are those that recur regularly and can be anticipated from year to year. Included as operating expenditures are staff salaries and benefits; books and other media acquired for the library; heating, cooling, and regular cleaning and maintenance of the building; and technology support contracts. Capital activities, in contrast, are those that occur irregularly and usually require special fundraising efforts. These would include new or remodeled library buildings, major upgrades of technology, and usually the purchase of computer hardware. You should present the operating and capital activities separately within your library budget. (See attached *Sample Library Budget* for an example.)

Income vs. expenditures

In both operating and capital budgets, you will need to show income (or revenues) and expenditures. Income should be broken down by the source of the funding—for instance, municipal appropriation, county reimbursement, system state aid, grant projects, gifts and donations, fines and fees. Expenditures are shown in categories (or lines) representing similar kinds of products or services—for instance, wages, benefits, print materials, audio and video materials, telecommunications, staff and board continuing education.

Municipal accounting vs. library accounting

As specified in state law, library boards must deposit most of their funds with their municipality. Since the municipality holds the funds, it will also keep records of how those funds are used. This municipal accounting should be available to the library board upon request. However, even though your city, village, or county is performing this accounting function, it is advisable for the library to also maintain its own set of records. This will allow the board and director to know the status of finances in a timely manner (if there is a delay in getting figures from the municipality) and to have a check to assure that the municipality is not inadvertently confusing transactions and balances. In addition, there are types of funds (gifts, bequests, devises, and endowments) which can be managed directly by the library board; if the board chooses to manage these funds it must, of course, keep records for accountability. (See also *Trustee Essential #9: Managing the Library's Money*.)

Discussion Questions

1. What factors will contribute to the size of the appropriation the library board will request from the municipality?
2. What should a trustee's role be in presenting the request for funding from the municipality?
3. How does the library's strategic plan affect budget decisions?
4. In your library, how formal is the pursuit of gifts and donations, and how are these funds most often used?

Sources of Additional Information

- Sample Format of a Minimal Library Budget (attached)
- Your regional library system staff (See *Trustee Tool B: Library System Map and Contact Information*.)
- *Wisconsin Public Library Standards*
- *Wisconsin Public Library Service Data*

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Sample Format of a Minimal Library Budget

Note: This simplified budget roughly corresponds to the *Wisconsin Public Library Standards* 2011 minimum operating budget of \$67,000. Actual amounts will vary depending on local needs.

Operating Income	2011 Actual	2012 Budget	2013 Budget
Municipality	\$ 47,500	\$ 48,200	\$ 48,925
County	\$ 13,400	\$ 13,600	\$ 13,800
State / library system	\$ 1,340	\$ 1,360	\$ 1,380
Federal (LSTA)	\$ 1,340	\$ 1,360	\$ 1,380
Funds carried forward	\$ 700	\$ 700	\$ 700
Fines	\$ 1,200	\$ 1,225	\$ 1,240
Donations	\$ 700	\$ 700	\$ 700
Fees/other*	\$ 150	\$ 175	\$ 175
Transfer from gift fund	\$ 670	\$ 680	\$ 700
Operating Income Total	\$ 67,000	\$ 68,000	\$ 69,000

Operating Expenditures	2011 Actual	2012 Budget	2013 Budget
Salaries and wages	\$ 30,820	\$ 31,280	\$ 31,740
Employee benefits	\$ 9,380	\$ 9,520	\$ 9,660
Books	\$ 9,000	\$ 9,110	\$ 9,250
Periodicals (including electronic)	\$ 1,800	\$ 1,880	\$ 1,930
Video materials	\$ 1,440	\$ 1,460	\$ 1,480
Audio materials	\$ 600	\$ 610	\$ 620
Software and other electronic materials	\$ 670	\$ 680	\$ 690
Contracted services	\$ 1,340	\$ 1,360	\$ 1,380
Staff and board continuing education	\$ 1,340	\$ 1,360	\$ 1,380
Public programming	\$ 670	\$ 680	\$ 690
Telecommunications	\$ 2,010	\$ 2,040	\$ 2,070
Utilities	\$ 5,250	\$ 5,300	\$ 5,350
Equipment repair	\$ 670	\$ 680	\$ 690
Supplies	\$ 2,010	\$ 2,040	\$ 2,070
Operating Expenditures Total	\$ 67,000	\$ 68,000	\$ 69,000

Capital Income	2011 Actual	2012 Budget	2013 Budget
Municipality	\$ 2,000	\$ 3,000	\$ 3,000

Capital Expenditures	2011 Actual	2012 Budget	2013 Budget
Computer equipment replacement	\$ 2,000	\$ 2,000	\$ 2,000
New shelving		\$ 1,000	\$ 1,000
Capital Expenditures Total	\$ 2,000	\$ 3,000	\$ 3,000

Total of All Expenditures	\$ 69,000	\$ 71,000	\$ 72,000
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*State law requires that all information-providing public library services be provided free of charge. (See *Trustee Essential #8: Developing the Library Budget* for details.)