

# Developing the Library Budget

Trustee Topic 8

## 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.
- 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.

## Development Process

- Draft budget documents are prepared by the library director and library staff (following the format required by the municipality or county).
- 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

## Development Process

- 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.
- 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.

## Source of Funding

- 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.

## Source of Funding

- 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.

## Sources of Funding

- 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.

## 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

## Terms and Distinctions

### Income vs. 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.

## Budget Characteristics

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

### Operating vs. capital costs

- 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

## Terms and Distinctions

### 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. 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.

## 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?