



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #562

State Aid and Local Maintenance of Fiscal Effort for Public Libraries (DPI -- Administrative and Other Funding)

[LFB 2011-13 Budget Summary: Pages 369, #4 and Page 372, #17]

CURRENT LAW

Public library systems receive state aids in order to supplement public library services provided by local and county funds. In 2010-11, public library system aid totaled \$16,681,200 SEG from the universal service fund (USF). The Department of Public Instruction (DPI) is required to include in its budget submission a request for funding equal to 13% of the total operating expenditures from local and county sources in the calendar year immediately preceding the calendar year in which aid would be paid. The amount must include a recommendation for state for public libraries and recommendations for the funding of other public library services, as determined in conjunction with libraries and systems. The Department's 2011-13 biennial budget request included a request for state aid increases of \$11,878,400 SEG in 2011-12 and \$12,449,600 SEG in 2012-13 over base level funding of \$16,681,200 SEG in 2010-11.

The State Superintendent is required under current law to contract for services with libraries and other resource providers to serve as resources of specialized library materials and information not available in public libraries or the Reference and Loan Library maintained by the Department. Library service contracts are maintained by DPI with four providers of specialized statewide information services and resources to meet this requirement. In 2010-11, funding for library service contracts was \$1,169,800 SEG. BadgerLink provides free statewide Internet access to periodical and reference information databases, including: literature journals, encyclopedias, specialized reference materials, and historical documents, to all state residents. Base level funding for BadgerLink, plus Newline for the Blind, is \$2,560,000 SEG. The segregated revenue for library service contracts and for BadgerLink is from the state universal service fund.

In order to be included in a public library system, each county must demonstrate to the

satisfaction of DPI that it is able to provide adequate funding to implement a county plan for library services. Each county is required to maintain its support for library services at a level not lower than the average of the previous three years. The three-year average is adjusted to reflect cost savings from consolidating services or for a municipality levying its own, equivalent tax for library services. A municipal, county, or joint public library may participate in a public library system if it meets certain requirements, including that the total amount of funding received from the library's governing body or bodies is not less than the average of such funding received for the previous three years. The calculation of the three-year average excludes: (a) funding received from state, federal, private, or other fund sources; (b) unspent funding appropriated by a municipality or county for library services in a prior year; and (c) for a municipal or joint library, funding received from a county.

The state segregated universal service fund (USF) receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. The USF currently funds universal telecommunications services programs under the Public Service Commission (PSC); the telecommunications access program under the Department of Administration (DOA); BadgerLink, Newline for the Blind, library service contracts, and public library system aid under DPI; and BadgerNet under the University of Wisconsin (UW) System. USF-funded appropriations total \$44,474,900 SEG in 2010-11. The PSC modifies assessments each year to reflect appropriation levels and unappropriated assessments. Over time, assessments will match appropriations, but they may not in any one year.

GOVERNOR

Delete the requirement that counties and municipalities maintain their support for library services at a level not lower than the average of the previous three years. Delete \$1,668,100 SEG annually for aids to public library systems, and delete \$117,000 SEG annually for library service contracts, as part of 10% across-the-board reductions in most appropriations for DPI administration and aids to libraries, individuals, and organizations.

DISCUSSION POINTS

1. Public library systems were created by the Legislature under Chapter 152, Laws of 1971, in order to improve and extend public library services, promote resource sharing among libraries, and increase access to library materials and services by the state's residents. Serving a specific geographic region, each system provides special services and programs not offered by municipal and county libraries individually. Currently, there are 17 library systems serving all 72 counties and every state resident. Library systems receive state aids for coordination and supplementation of services beyond what could be provided by county and local funds. In order to participate in a library system, a municipal, county, or joint library must agree to participate in the system's activities, to participate in interlibrary loan of materials with other system libraries, and to provide any resident of the system area the same services that are provided to the residents of the municipality or county that established the member library.

2. Public library systems do not oversee the administration of local libraries, which

remain autonomous in regard to local services and operations. Although not required by law to do so, all local units of government providing library services participate in a library system. Municipal funds support the costs of providing basic library services at a municipal library to residents who pay taxes for library services. A county board may provide funds to individual municipal libraries or to public library systems. County funds, which must be provided under current law, are most commonly used to provide library service or access to it for county residents not residing in a municipality that operates its own library. Counties may also provide services directly through consolidated county libraries.

3. For a county that does not maintain its own county consolidated library, and that contains residents who are not residents of a municipality maintaining its own library, the county must pay to each public library in the county, and to each public library in an adjacent county (other than a county with a population of at least 500,000), an amount equal to at least 70% of the cost of each library loan made to residents of that county who reside in municipalities that do not maintain libraries. The cost per loan is determined by dividing the library's total operational expenditures, not including capital costs or federal funds, by the total number of loans of material made by the library in that year. This current law requirement would continue to apply under the Governor's budget, so counties would still be responsible for payments on behalf of residents whose municipalities offer no library.

4. In order to facilitate state residents' access to library services, all public libraries are required to honor valid borrowers' cards from libraries in adjacent library systems (excluding Milwaukee County Federated Library System). However, a public library may refuse to provide services to residents of adjacent systems if the total amount of the reimbursement received for the preceding year from the adjacent system, and from counties and municipalities in that system, is less than the cost incurred by the library providing the service.

5. Public libraries operate on a calendar year basis, and final statistics for operating income and expenditures are not yet available for 2010. The following table shows 2009 income amounts for public library services, in millions.

	<u>Amount</u>	<u>Percent</u>
Municipal funds	\$148.1	59.0%
County funds	55.9	22.3
State aid to public library systems	16.8	6.7
Federal grants	1.7	0.7
Contract income	1.3	0.5
Endowments, gifts, and other	<u>27.1</u>	<u>10.8</u>
Total	\$250.9	100.0%

6. Since the establishment of public library systems in 1971, in order to participate in a public library system, counties and municipalities have been required to maintain funding for libraries at a level not lower than the average for the previous three years. As the table shows, counties and municipalities are the primary source of library funding, together comprising over 80% of total library operating income.

7. State funds go directly to public library systems and are intended to fund system services that are required by statute. Such services include interlibrary loans, reference referral, continuing education, services to users with special needs, resource library services, collection development, and multi-type library cooperation. However, systems have authority to develop programs that meet area needs and support such programs with state aid. State aids are distributed according to a statutory formula based on the amount of state aid each system received in the prior year. The following table shows the level of state aid for public library systems between 2001-02 and 2010-11, as well as the proposal for funding for 2011-13 under the Governor's recommendations.

	<u>Aid to Public Library Systems</u>	<u>Percent Change from Prior Year</u>
2001-02	\$14,749,800	0.0%
2002-03	14,196,700	-3.7
2003-04	14,196,700	0.0
2004-05	14,196,700	0.0
2005-06	14,908,600	5.0
2006-07	15,521,200	4.1
2007-08	16,138,000	4.0
2008-09	16,783,500	4.0
2009-10	16,165,400	-3.7
2010-11	16,681,200	3.2
2011-12	15,013,100	-10.0
2012-13	15,013,100	0.0

8. The Governor's recommendation for 2011-13 would reduce state funding by 10% as part of across-the-board reductions in most appropriations under DPI. The public library aid appropriation is fully funded with segregated revenue from the state's universal service fund (USF). The USF was initially intended to ensure that all state residents have access to advanced capabilities such as the Internet, and that all residents receive essential telecommunications services including: (a) single-party service with touch-tone capability; (b) line quality capable of carrying fax and data transmissions; (c) equal access; (d) emergency services number capability; (e) a statewide telecommunications relay service for the hearing impaired; and (f) blocking of long distance toll services. These programs were designed to ensure telecommunications access for low-income residents, assist disabled residents, provide safeguards against fluctuations in price, and provide grants to institutions for advanced telecommunications services.

9. The USF also supports the telecommunications access program that provides funding to eligible educational entities, including public libraries, to subsidize their access to telecommunications data lines and video links. In addition, the USF funds the BadgerNet telecommunications services to UW campuses at River Falls, Stout, Superior, and Whitewater. BadgerNet is a state network that transports voice, data, and video statewide.

10. Under DPI, the USF also funds statewide Internet access to periodical and reference

information databases as part of BadgerLink, in cooperation with the state's public libraries (as well as Newline for the Blind), and the four state contracts for statewide library services provided by Wisconsin Library Services (WiLS), Milwaukee Public Library, the Regional Library for the Blind and Physically Handicapped, and the Cooperative Children's Book Center. The State Superintendent is required by statute to maintain such contracts for services with libraries and other resource providers to serve as sources of specialized library materials.

11. WiLS is a consortium of 400 Wisconsin libraries that coordinates resource sharing and cooperative purchasing among member libraries, which include public libraries, the libraries of the University of Wisconsin, private academic libraries, school district libraries, technical college libraries, and the Wisconsin Historical Society Library. WiLS and the Milwaukee Public Library lend materials to all parts of the state in response to requests forwarded by the Reference and Loan Library or public library systems, providing access to major collections for patrons statewide. State contract funds are used to pay for staff to locate, ship, and shelve materials, and for postage to ship materials. DPI contracts with the Regional Library for the Blind and Physically Handicapped, located at the Milwaukee Public Library, which provides specialized services and materials to persons throughout the state. The Library of Congress provides the Regional Library with full-length books and magazines in Braille and in recorded formats, but the state must pay for processing, maintaining, and circulating these materials. The Cooperative Children's Book Center (CCBC), located at the School of Education at UW-Madison, is a children's literature research library that provides educational and informational services, based on its collections, to children's librarians, teachers, faculty, and researchers statewide. The CCBC receives its funding from the School of Education, and the state contract partially funds its staff and operations.

12. Prior to 2003 Act 33 (the 2003-05 biennial state budget), public library aids were fully funded with general purpose revenue (GPR). Under Act 33, a supplemental appropriation was created, funded with USF moneys, and public library systems were funded with a combination of the two appropriations through 2008-09. Under the 2009-11 biennial state budget, the GPR appropriation was deleted, and the SEG appropriation was increased to become the sole funding source for state aid to library systems.

13. The following table summarizes the amounts that were appropriated in 2010-11 to the various programs funded from the USF, as well as funding proposed for 2011-13 under the Governor.

<u>Appropriation</u>	<u>2010-11</u>	<u>Governor</u>	
		<u>2011-12</u>	<u>2012-13</u>
<i>Public Service Commission</i>			
Universal Telecommunications Service	\$5,940,000	\$5,940,000	\$5,940,000
<i>Public Instruction</i>			
Periodical/Reference Databases			
(BadgerLink) & Newslite for the Blind	2,560,000	2,304,000	2,304,000
Aid to Public Library Systems	16,681,200	15,013,100	15,013,100
Library Service Contracts	1,169,800	1,052,800	1,052,800
<i>Administration</i>			
Telecommunications Access			
School Districts	11,190,700	11,105,100	11,105,100
Private and Technical Colleges & Libraries	5,015,300	5,016,000	5,016,000
Private Schools	694,300	694,300	694,300
Residential Schools	82,500	82,500	82,500
Juvenile Correctional Facilities	86,300	86,300	86,300
<i>University of Wisconsin System</i>			
Telecommunications Services (BadgerNet)	<u>1,054,800</u>	<u>1,054,800</u>	<u>1,054,800</u>
Total	\$44,474,900	\$42,348,900	\$42,348,900

14. Because aid to public library systems is funded through the USF, the Governor's recommended decrease in SEG funding for libraries does not benefit the general fund balance. The Governor did not recommend any across-the-board reductions in USF-funded appropriations outside DPI. However, the decrease in funding for library programs would lower the USF adjustment applied to local telephone service subscribers' rates.

15. Given widespread stagnation or decreases in property values due to a national housing sector downturn, as well as the statewide levy freeze and shared revenue reductions proposed under the budget bill, many counties and municipalities will likely have significant budget difficulties over the next two years. Proponents argue that repealing the library funding mandate would provide local governments flexibility needed to better manage local expenditures. Because it is likely that many areas of local operations will see some degree of reductions, one could argue that counties and municipalities should be free to set local budget priorities in response to local needs and desires.

16. On the other hand, libraries are important resources during economic downturns, providing free access not only to books, newspapers, and periodicals, but also providing free public computer access, free Internet access including wireless access, and job search assistance. According to DPI's 2009 public library service data, nearly 4,900 Internet-connected computer terminals were accessible to the public in libraries that year.

17. The three-year average maintenance of effort requirement has been in place since 1971. With a minimum funding requirement in place, all libraries have received a stable source of

funding that has enabled widespread resource sharing and greater efficiency across the statewide system, while serving a broad population. In 2009, libraries served 4.1 million municipal residents, and an additional 1.5 million residents who lived outside a library's primary service jurisdiction. Some have argued that, in the absence of minimum support levels, smaller and less affluent communities could reduce library hours and services, sending patrons to larger or more affluent cities' libraries, further straining those communities' services. With fluctuating or uneven funding and service, resource sharing among and between libraries and library systems could be threatened.

18. Alternatively, the Committee could choose to temporarily suspend the maintenance of effort requirement, if the goal is to assist local governments with managing the levy limit and shared revenue reductions proposed for the 2011-13 biennium. That suspension could be sunset, so that the three-year average maintenance of effort would again apply for 2013-14. Municipalities and counties would then have more flexibility in their budgets in the 2011-13 biennium, and would have a more affordable minimum level of library support going forward. In turn, libraries, while likely seeing funding reductions in the short-term, would have a reliable and stable source of funding in the future, which allows them to plan their budgets, staffing, and acquisitions for the long-term.

19. With regard to state funding, the Committee might wish to restore the 10% reduction in state aid to public library systems and library service contracts. If the funding would be restored, it would have no impact on the general fund. In addition, if the local maintenance of effort requirement were eliminated, restoring state funding would avoid an additional reduction in resources for libraries. Finally, because federal funding for libraries under the Library Service and Technology Act (LSTA) also has a three-year average maintenance of effort requirement for states, public libraries would be further penalized by a reduction in future federal funding. If a state fails to maintain effort, the LSTA funds are decreased by the same percentage as the percentage decrease below the MOE level. Penalties are assessed three years after the report year in which the reduction occurs, because of the time lag in federal fiscal reporting. As part of the LSTA MOE, DPI reports state funds for the following: (a) public library system aid; (b) state funds for the operation of the reference and loan library and the public library development teams under the Division for Libraries, Technology, & Community Learning within the Department of Public Instruction; (c) funding for BadgerLink; and (d) funding for the four state contracts for statewide library services. Wisconsin receives approximately \$3.0 million FED annually under LSTA.

20. On the other hand, restoring funding for libraries and library service contracts, in the absence of other reductions to USF-funded appropriations, would mean that local telephone subscribers would likely not see a reduction in USF pass-through assessments over the biennium.

ALTERNATIVES

A. Maintenance of Effort

1. Approve the Governor's recommendation to repeal the three-year average maintenance of effort requirement for public library support by counties and municipalities.

2. Modify the Governor's recommendation to provide that a county or municipality is

required to maintain its support for library services at a level not lower than the average of the previous three years, except that this requirement would not apply to funding amounts provided for 2011-12 and 2012-13. Provide that, beginning with 2013-14, the three-year average maintenance of effort requirement would resume, using funding amounts provided in 2010-11, 2011-12, and 2012-13.

3. Delete provision.

B. Aid to Public Library Systems and Library Contracts

1. Approve the Governor's recommendation to: (a) reduce aid to public library systems by \$1,668,100 SEG annually from base level funding of \$16,681,200 SEG; (b) reduce funding for library service contracts by \$117,000 SEG annually from base level funding of \$1,169,800 SEG; and (c) reduce funding for BadgerLink/Newsline for the Blind by \$256,000 SEG annually from base level funding of \$2,560,000 SEG.

2a. Delete the provision to reduce aid to public library systems and provide \$1,668,100 annually.

ALT B-2a Change to Bill	
Funding	
SEG	\$3,336,200

2b. Delete the provision to reduce funding for library service contracts and provide \$117,000 annually.

ALT B-2b Change to Bill	
Funding	
SEG	\$234,000

2c. Delete the provision to reduce funding for BadgerLink/Newsline for the Blind and provide \$256,000 annually.

ALT B-2c Change to Bill	
Funding	
SEG	\$512,000

Prepared by: Layla Merrifield