

14**CHAPTER FOURTEEN****Developing the Library Budget**

[Disclaimer: *The information in this handbook is not legal advice. We recommend that you consult an attorney if you have any questions about how the laws apply to your library.]*

The proper administration of library funds is one of the basic functions of the governing board of trustees. It is also an important legal responsibility. Advisory boards may have input into library budget but the responsibility for setting the final budget rests with municipal officials. The tasks related to finance are:

- Budget preparation
- Budget presentation
- Budget implementation
- Capital improvement budgeting
- Management of endowment funds and trust funds
- Audit

Budget preparation should reflect the objectives for library service set by the trustees in the library's long range plan. Both library director and the board of trustees should be involved in the formulation of the budget. It is the responsibility of the trustees to evaluate how well the budget addresses the needs of the library.

The budget format should be directly based on an existing chart of accounts and resulting financial statements. The budget should be detailed enough to assure that the money will be spent in the manner agreed upon, but not so detailed that all the money is tied up in accounts from which it cannot be transferred without requesting permission from the municipal council or board. Once the budget is formulated, every board member should be fully informed and prepared to answer any questions that may arise in daily contacts or able to refer the questioner to someone representing the board who can.

Presentation of the budget to the appropriate community governing body is the responsibility of the library director or a representative of the board of trustees. If a trustee is presenting, the library director should be present to provide supporting information. In either case, it

should be clear to the government officials that the budget has the unanimous support of the board.

Implementation of the budget is usually delegated to the library director. The trustees have the final responsibility to review and evaluate the process of implementation through the receipt of periodic reports.

In addition to the operating budget, the trustees should consider the capital improvement needs of the library such as major building maintenance projects, like a new roof, and acquaint themselves with the resources available for such funding. A capital budget should be developed that saves up for such major projects and also provides a contingency fund if a major system should fail unexpectedly.

The library director, working with the board, should develop an equipment replacement schedule and budget. Library computers should be replaced every 3 to 5 years and it makes sense to replace one or two at a time rather than searching for a grant when the computers are too old to handle current technology demands.

Because library boards are responsible for making decisions in regard to trust funds, it is important for trustees to know about the options available in the investment and management of these funds.

The library budget is a tool for turning library plans 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

Planning

The first step in developing a library budget is to look at what the library hopes to accomplish in the next year as laid out in the library's strategic or long-range plan. This 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 budgeting for the coming year, it should review the long-range plan and its chosen objectives, reflecting on the financial implications of the objectives for the coming year.

Costs Analysis

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. (See attached *Sample 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.

Presenting the budget

After the written budget documents are approved by the board and submitted to the municipality, 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.

However, budget advocacy should not occur only at budget time. The board and the library director should be constantly talking with the town manager, select board and budget committee about the value that the library brings to the community. The first rule of effective advocacy is to establish a good relationship first before ever asking for money. For more information about advocacy, see Chapter 16.

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.

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, along with 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.

In Maine, public libraries do 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 not subject to Maine sales tax (Maine Revised Statutes Title 36, Chapter 211: GENERAL PROVISIONS § 1760).

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 or a program series.

Grants or donations should never be used to justify reducing or replacing the community's commitment to public funding. Donors will stop donating, volunteers will stop working, and granting organizations will stop awarding grants to your library if they see that their efforts are resulting in reduced public funding for the library instead of improved service.

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.

Types of Budgets

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.)

Revenue vs. expenditures

In both operating and capital budgets, you will need to show revenue (or income) and expenditures. Revenue should be broken down by the source of the funding-for instance, municipal appropriation, grants, gifts and donations, fines and fees. Expenditures are sometimes grouped in categories with lines representing similar products or services-for instance, personnel costs (salaries, wages, benefits, and continuing education), general operating costs (including office supplies, utility and communications costs, building and equipment maintenance, and insurance), contract fees (such as shared automation system), and collection costs (broken down into print materials, audio and video materials, and electronic services).

Sources of Additional Information

- Maine Revised Statutes Title 36, Chapter 211: GENERAL PROVISIONS § 1760
- Sample Format of a Minimal Library Budget (attached)
- Maine Association of NonProfits (MANP) Financial Management webinars:
<https://www.nonprofitmaine.org/learn/skillbuilders/webinar-recordings/>
- Dropkin, Murray, Jim Halpin, and Bill La Touche. *The Budget-Building Book for Nonprofits: a Step-by-Step Guide for Managers and Boards*. San Francisco: Jossey-Bass, 2007.



Sample Format of a Minimal Library Budget

(Line Item Budget Format)

Operating Income	2014 Actual	2015 Budget	2016 Budget Request
Municipality	\$34,700	\$35,500	\$36,300
Funds carried forward	\$0	\$600	\$525
Fines	\$700	\$900	\$945
Donations	\$500	\$500	\$500
Fees/other	\$100	\$100	\$105
Transfer from endowment	\$24,000	\$24,050	\$24,625
Operating Income Total	\$60,000	\$61,650	\$63,000
Operating Expenditures	2014 Actual	2015 Budget	2016 Budget Request
Salaries and wages	\$24,150	\$24,700	\$25,650
Employee benefits	\$16,750	\$17,000	\$16,350
Books	\$6,465	\$6,700	\$7,035
Periodicals	\$1,330	\$1,400	\$1,470
Audio books and e-books	\$950	\$1,000	\$1,050
DVDs	\$380	\$400	\$420
Software and databases	\$475	\$500	\$525
Contracted services	\$950	\$1,000	\$1,050
Staff, board continuing education.	\$950	\$950	\$1,050
Public programming	\$475	\$500	\$525
Automation license	\$1,425	\$1,500	\$1,575
Utilities	\$3,800	\$4,000	\$4,200
Maintenance	\$475	\$500	\$525
Supplies	\$1,425	\$1,500	\$1,575
Operating Expenditures Total	\$60,000	\$61,650	\$63,000
Capital Income	2014 Actual	2015 Budget	2016 Budget Request
Municipality	\$1,000	\$1,000	\$1,000
Endowment	\$1,000	\$2,000	\$2,000
Capital Expenditures	2014 Actual	2015 Budget	2016 Budget Request
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	\$62,000	\$64,650	\$66,000