

## **SECTION III. BUDGET AND FINANCE**

### **BUDGET AND FINANCE**

The primary goal of a public library is to provide quality library service to its public. A major part of meeting this goal is the ability to adequately fund activities. Budget and finance represent a significant part of a library administrator's time. Although planning the budget may be a seasonal activity, its effects are felt throughout the year.

Library administration textbooks usually devote a chapter to budget and finance. Library school management courses may cover funding sources and the theory of budgeting. Reality often hits when a director is faced with planning his first budget. Experience, once again, proves to be the best teacher.

This section of the handbook will offer definitions, requirements, and ideas for the library administrator to adapt to his own situation in an attempt to make understanding library finances and the budget process easier.

## **10 STEPS TO ORIENTING YOURSELF TO THE LIBRARY'S FINANCES**

A new director can soon be overwhelmed by the complexity of the library's finances and budget. As a library director, you are responsible for managing public funds. Once you address the steps below, read through this handbook, and experience planning a budget, you will be an "expert" at library finances.

1. Find out your revenue sources. Know when these revenues are received each year. Look at the amount of fines, photocopy monies, and other self-generated revenues received by the library. Determine which revenues are recurring and which are non-recurring. Know how these are deposited and how they are accounted for. Determine the limitations, if any, on the use of library revenues.
2. Review the prior year and current year budgets. Review past annual reports to the State Library. Review the current and past audits. This will provide a good foundation when you are ready to prepare your first budget.
3. Meet with your parish secretary-treasurer or finance director to discuss library finances and the budget. You should seek this person out, rather than wait for this person to come to you. This meeting will give you insight into the relationship between the library board, the parish, and the previous library director concerning finances and budget.
4. Review current expenditures. For several weeks or months, do some of the invoice coding yourself, or have your bookkeeper review the invoices with you prior to payment. Learn your fixed costs and your variable costs.
5. Review your purchasing procedures. Determine if any contracts for goods or services exist and review them with staff.
6. Review and analyze the library's financial reports. Discuss options with the secretary-treasurer or finance director concerning the timely receipt of reports.
7. If you receive tax monies, determine your property tax millage or sales tax percentage and learn when these taxes expire. Your parish assessor can provide you with this information. Learn about any statutory charges which are assessed against the library as a result of tax revenues.

8. Determine if the library receives any grant monies. Identify who monitors grant activity and familiarize yourself with any financial obligations or reporting resulting from the grants.
9. Review payroll practices, including how payroll is submitted for payment, who cuts the checks, and how leave records are kept. Auditors always ask questions about salaries, leave benefits, and any payments made to an employee.
10. **Ask** questions of your staff, your parish, your board, your auditor. When you cannot get answers, call your consultant in Library Development at the State Library or call a colleague.

## REVENUES

Louisiana's public libraries receive about 85% of their revenues from local sources, including ad valorem taxes, sales taxes, and appropriations from the local governing authority. State revenue sharing, a partial reimbursement for ad valorem taxes which are not collectible due to the State's homestead exemption, accounts for about 6% of library income. State aid to public libraries for technology and resources represents about 2%. Federal funds comprise approximately 0.7% of public library revenues in Louisiana. Self generated revenues, such as fines, photocopy revenues, fees for services, and donations, constitute about 6.8% of library revenues.

Revenue information for individual public libraries in the state can be found in ***Public Libraries in Louisiana: Statistical Report***, an annual publication of the State Library of Louisiana. The sections that follow describe and discuss various sources of revenue for Louisiana public libraries. These revenue sources are discussed in roughly the same order as they are listed on the Annual Report.

## AD VALOREM TAXES

Most parish library systems in Louisiana have an ad valorem tax (or property tax) as the major revenue source for operations and maintenance. The section on [Tax Elections](#) in this handbook provides information on calling elections, duration of taxes, and restrictions on using public funds when planning tax campaigns.

### Assessment

All property, except public service properties as provided in Article 7 '18 D of the Louisiana State Constitution, is assessed by the parish assessor. The Louisiana Constitution, Article 7 '18B provides that all property subject to ad valorem taxation be listed on the assessment rolls at a percentage of its fair market value. The assessed value in each parish varies depending upon what properties are on a parish's tax rolls. The gross assessment includes all properties. The net assessed value excludes those properties covered by homestead exemption, which is defined in Article 7 '20 A, and other exemptions, as defined in Article 7 '21 of the Louisiana Constitution. Homes are assessed at 10% of their fair market value; a \$75,000 home would be assessed at \$7,500. Currently, homeowners

receive an exemption from paying parish-wide ad valorem taxes on the first \$7,500 of the assessment of their property.

### **Reassessment**

The Louisiana Constitution mandates that property be reassessed at least every four years. Sometimes, especially when the economy dramatically changes downward, a special reassessment may be called. Reassessment can affect the library's millage. If the library tax is for ten years, there will be at least two reassessments during the span of the tax. Depending on the economy and the political climate, this can hurt or help the library financially.

After a reassessment, the assessed value of properties in each parish could go up or go down. In Louisiana, property values went up in the late 1970's and early 1980's. However, due to the economy of the state, many property values went down in 1986. The economy continued to decline and, in 1988 a special reassessment was ordered. Louisiana Constitution, Article 7, '23 provides mandates for local governing authorities regarding millages after reassessments.

### **Property Assessment Decreases After Reassessment**

If the property assessment **decreases** in a parish, the maximum authorized millage is "rolled forward" so that the library's millage brings in the same amount of taxes under the new, lower assessment as it did under the previous assessment. The millage may be increased only to the extent that it will generate the same amount of taxes generated the previous year, nothing more. The governing authority, however, is not obligated to keep the library's millage at the new maximum. During the annual setting of millages, the governing authority can set the millage anywhere from "zero mills" up to the new maximum. If the governing authority keeps the millage at the same level as before the reassessment, the library will lose tax revenues.

**Example:** In 1995, a Library's maximum millage is 3.01, which brings in \$500,000. After the 1996 reassessment, when property values decreased, that same 3.01 mills might only bring in \$400,000. The new millage necessary to generate \$500,000 might be 3.6 mills. The new maximum becomes 3.6 mills. The governing authority can set the Library's millage anywhere between 0 mills and 3.6 mills.

## Property Assessment Increases After Reassessment

If the property assessment **increases** in a parish, the maximum authorized millage will be adjusted downward (i.e., "rolled back") to a level which would bring in no more tax revenues than the library received under the previous property valuation. The governing authority is mandated by the state Constitution to make this "roll back" or adjustment to the millage.

**Example:** In 1995, a Library's millage is 3.01 and brings in \$500,000. After the 1996 reassessment, when property values increased, that same 3.01 mills might bring in \$600,000. To generate only \$500,000, the library's millage might need to be rolled back to 2.8 mills. The governing authority must set the Library's millage anywhere between 0 mills and 2.8 mills, although they can take additional action to readjust it upward as explained below.

During this reassessment year only, after performing this mandatory roll back of the millage, the governing authority could, following public hearings and with a two-thirds vote of the governing authority, roll the millage forward - up to a rate not to exceed the prior year's maximum millage.

If the governing authority chooses not to roll the millage forward during the reassessment year, then the new maximum millage is the rate established by reassessment. If the governing authority chooses to roll the millage forward after the mandatory "roll back", then the new maximum millage is the rate they rolled forward. Although this is not a popular move for a governing body, since it raises taxes without a vote of the people, this is a way for a library to receive additional revenues.\*

**Example 1:** After performing the mandatory roll back of the Library's millage from 3.01 down to 2.8 mills, the governing authority holds a public hearing to discuss increasing the millage from 2.8 mills back up to the prior year's millage of 3.01. The Library Board is able to make a strong case for receiving the extra funds that a millage increase would generate. The governing authority votes with a two-thirds majority to roll forward the millage to 3.01, thus allowing the Library to receive an extra \$100,000 in tax revenues. This will increase taxes of some constituents in the parish. Thus, a tax increase has been passed without a direct vote by the public. The new maximum millage for the Library is 3.01 mills.

**Example 2:** After performing the mandatory roll back of the Library's millage from 3.01 down to 2.8 mills, the governing authority holds a public hearing to discuss

increasing the millage from 2.8 mills back up to the prior year's millage of 3.01. The Library Board is able to make a strong case for receiving the extra funds that a millage increase would generate. The governing authority agrees that some, but not all, of the extra funds are needed; it votes with a two-thirds majority to roll forward the millage to 2.95 mills, thus allowing the Library to receive some extra tax revenues. This will increase taxes of some constituents in the parish. Thus, a tax increase has been passed without a direct vote by the public. The new maximum millage for the Library is 2.95 mills.

**Example 3:** After performing the mandatory roll back of the Library's millage from 3.01 down to 2.8 mills, the governing authority holds a public hearing to discuss increasing the millage from 2.8 mills back up to the prior year's millage of 3.01. The Library Board makes a strong case for receiving the extra funds that a millage increase would generate, but the governing authority does not agree and, by taking no action, keeps the library's millage at 2.8 mills. The Library will not receive an increase in revenues due to an increase in its millage. This is not considered a tax increase for the public. The new maximum millage for the Library is 2.8 mills.

Be careful about tax elections scheduled during reassessment years. If the election is called (and thus the millage is set) before the reassessment figures are in and property values drop, there could be a problem. A millage which appears on the ballot, whether it is a "renewal" or an "increase", and approved by voters, will be the maximum millage available for the library until the next reassessment. "Roll forward / roll back" provisions which will occur after the current reassessment apply only to existing millages. The millage on the ballot is really a new tax, even though it may be a millage amount identical to the current library millage. If the net assessed value in the parish drops after the current reassessment, an existing millage will be rolled forward to generate the same amount of revenue as was generated under the old reassessment. However, a "new" or "renewal" millage which takes effect after reassessment is not subject to "roll forward / roll back" provisions for that reassessment. Assuming a library wants to generate at least the same amount of revenues with the "renewal" millage as the "existing" millage, a library, in a reassessment year where the assessment is expected to drop, should wait until the reassessment figures are completed and existing millage amounts adjusted before scheduling a tax election. The library would then have the information necessary to determine the millage needed to generate the revenues required.

Contact your Parish Tax Assessor or the Legislative Auditor's Office for further clarification about reassessment.

### **Millage**

A mill is 1/1000 (.001) of a dollar. A property tax is approved by voters for a set number of mills for a set number of years. This is the maximum millage, against the current assessment, that can be levied by the governing authority for the library to collect. This maximum millage will only be increased, without a vote of the people, if, at reassessment, the property valuation decreases as explained under Reassessment previously. To determine the gross tax revenues the library will receive, multiply the net assessed value of property in the parish by the library's millage.

The governing authority can levy up to this maximum millage for the library. The governing authority can "roll back" or reduce the library millage if it feels the library is collecting tax monies needlessly or building up too much in savings. Governing authorities have been known to roll back the library's millage, roll forward another parish agency's millage the same amount, and claim "no tax increase" for the people. The library director and members of the board of control must be in attendance at the meeting where the governing authority sets millages for the year.

A library whose millage is levied at the maximum at the beginning of its 10 year tax, and needing the entire amount for ongoing operations, is likely to be in dire straits near the end of its 10 year tax unless the property reassessment changes upwards and the governing authority avails itself of the roll-forward provisions of the Louisiana Constitution mentioned under Reassessment previously.

Contact the parish assessor for answers to questions about assessments, millage rates, and anticipated tax revenues. The parish treasurer or finance director should also be able to help the library director with millage rates and anticipated tax revenues.



## **Net Tax Collections**

The millage rate and the parish assessment provide the library director with the gross amount of tax revenues the library should collect. The sheriff is the ex-officio tax collector in each parish (except Orleans), as provided in the Louisiana Constitution, Article 5 '27. Tax monies are remitted to the governing authority's finance department or, where a library administers its own funds under L.R.S. 25:215, directly to the parish library. The sheriff will withhold a percentage of gross tax revenues for remittance to various statewide public pension funds as provided in L.R.S. 11:82.

An amount of gross tax revenues may also be withheld and remitted to the parish assessor for operations of that office. The amount withheld is specified in L.R.S. 47:1907 et seq. Since the 1985 tax rolls, assessors in parishes listed under L.R.S. 47:1925 have been able to fund their operations with a property tax the assessor can levy for that purpose. Those assessors receive these tax revenues in lieu of the deduction from tax revenues of other agencies.

Some people will not pay their tax bills. A tax sale is eventually held by the sheriff to collect taxes owed. Sometimes tax bills are appealed and reduced. There is an amount, therefore, that will be anticipated, but not collected, each year. This "uncollectible" amount will vary by parish. The net tax revenues received by a library will reflect pension fund deductions, assessor's deductions (if any), and uncollectible taxes.

Tax bills are to be paid on or before December 31st of each year. Tax bills due 12/31/00 are the "2000 Taxes". The library should begin receiving these tax revenues in November 2000, December 2000, or January 2001. The library also receives interest from taxpayers who pay their tax bills late. At various times throughout the year, the library receives "back tax" settlements from those who appealed their tax bills and from tax sales.

Most libraries use current year tax revenues for the next year's operations (i.e., 2000 taxes are used for 2001 operations). Some libraries use current year taxes for current year operations. Examine the library's ad valorem tax collections, deductions, interest, and back tax settlements budgeted and collected for the last few years to better understand this important source of library revenue.

Contact the tax collection division of the sheriff's department for answers to questions about tax revenue distribution.

## Increasing Ad Valorem Tax Revenues

A library may need additional tax revenues for operational purposes or special projects. Generally, when the need for additional revenues is evident, the library must ask the voters for the funds. The library either asks for an additional (supplemental) millage or asks for an increase, rather than a renewal, of the existing millage. There are only two ways a public library can receive additional ad valorem tax revenues from an existing millage without a vote of the people, although the extra amount of revenues is generally not significant. These are:

1. Additional properties are placed on the parish's tax rolls. The existing millage is not "rolled back" in this instance. Additional properties are added to the tax rolls each year, so, in times of economic growth, a library could benefit from this. (Note that the reverse is also true. If a major business folds and is no longer on the tax rolls, the library millage is not rolled forward; and the net result is a tax decrease for the library.)
2. Increases occur in the fair market or use value of the property, as determined during reassessment. The existing millage maximum remains the same for that reassessment year, although the millage is "rolled back" (as explained above under "Reassessment") in order to generate the same amount of revenues that the library received during the previous year. The governing authority can, after public notice and public hearings and with a two-thirds vote, roll forward the millage back up to the prior year's maximum millage for that reassessment year only. If the millage is not rolled forward to the prior year's maximum for that reassessment year, then the adjusted maximum millage becomes the maximum until reassessment occurs again. As mentioned above, the governing authority is usually reluctant to roll forward. However, if the parish economy has grown to the extent that property values under reassessment have significantly risen, the library probably has had an increased demand for services and can possibly justify to the governing authority the need for the additional funds.

A library needing a significant increase in tax revenues should seek the funds in the form of an additional or increased tax from the voters.

The method of levying and collecting ad valorem taxes is defined by the Louisiana

Constitution and by the Revised Statutes. The library director has virtually no part in how these taxes are levied and collected. However, because the ad valorem tax is the chief revenue source for most public libraries in Louisiana, it is imperative that the library director monitor the receipt of these funds and ensure that the governing authority sets an adequate millage for the library each year.

### **Sources - Ad Valorem Taxes**

A Citizen's Guide to Property Tax in New Orleans, prepared by The League of Women Voters of New Orleans. New Orleans: The League of Women Voters Education Fund, 1992.

Louisiana Tax Handbook. Baton Rouge: Public Affairs Research Council of Louisiana, Inc., published annually.

## SALES TAXES

As defined in the Police Jury Manual, a sales tax is one collected on the "sale at retail, the use, the lease or rental, the consumption, and the storage for use or consumption, of tangible personal property and on sales of services as defined by law." While the majority of public libraries in Louisiana have other types of funding, the Allen Parish, DeSoto Parish, Assumption Parish, Terrebonne Parish, and Opelousas-Eunice municipal libraries receive revenues from dedicated sales taxes.

A sales tax may be a more preferable way of financing library operations in a community where the property tax rate is high or when there are several major property owners or businesses that have traditionally opposed property taxes. A sales tax will also react quickly to changes in the economy. This can be an advantage over a property tax during good economic times; conversely, this can be a disadvantage during a recession.

A library may wish to seek a perpetual tax which does not have to be renewed. A proposition can be worded so that the tax has no renewal date. The advantages to this are that a library will not have to endure the time and cost of repeated tax elections and that funding is secure during periods of voter anti-tax sentiment. However, the tax rate of a sales tax cannot be raised without a vote of the people. Collections must be enough to allow for continued operation during depressed economic times and must also allow for growth and expansion. Although careful attention must be given to the future economy and library needs when seeking any tax, this is especially true for perpetual sales taxes.

Once approved by the voters, the library will begin receiving revenues. Sales tax revenues are collected by a uniform tax collector in each parish. This is mandated by the Louisiana Constitution, Article VII '3, as amended by voters on 10/19/91. The sales tax collector in many parishes is the School Board. Tax proceeds are remitted to the library by the tax collector on a monthly basis. Payment is made by check approximately 30 days after it is collected by retailers. A library can expect to pay a predetermined, negotiated fee for tax collections each month and will also share in certain administrative expenses of the tax collector.

Sales tax revenues fluctuate from month to month in reaction to general economic patterns and conditions. It is advisable for a library to enact a budgetary policy which establishes cash reserves that can be drawn upon when tax collections are down. The funds of a dedicated sales tax belong to the library. Funds received, but not expended, during a fiscal

year can be accumulated as contingency funds, saved for capital projects, or used to assist subsequent year operations.

### **Sources - Sales Taxes**

Louisiana Police Jury Manual. Baton Rouge: Police Jury Association of Louisiana, 1996. 6<sup>th</sup> ed.

Louisiana Tax Handbook. Baton Rouge: Public Affairs Research Council of Louisiana, Inc., published annually.

## **APPROPRIATIONS**

In addition to or in lieu of a dedicated tax for library operations, libraries may receive an appropriation from the governing authority. The Morgan City Public Library receives appropriations from both the city of Morgan City and St. Mary Parish Government. The Assumption Parish Library, in addition to its 3% dedicated sales tax, receives an appropriation from a 1% parish sales tax. This sales tax is shared with other parish agencies and is administered by the Police Jury.

Non-dedicated revenues appropriated by a governing authority force the library to compete with other agencies for the limited funding available. Priorities for allocating such funds often change due to turnover of elected officials. Pressure from special interest groups can also exert influence on the distribution of such funds. Unfortunately, during government budget cutbacks, libraries receiving direct appropriations often receive more than their share of reductions. This generally results in layoffs, branch closings, and curtailing book purchases. A library in this type of funding situation would probably not be allowed to accumulate a fund balance. Unused funds from a given year would, in all likelihood, revert back to the governing authority. Finally, decisions regarding projects and improvements for the library, are, in effect, passed from the library board to the governing authority controlling the allocation. The efforts of a "Friends Group" and every other possible source of support may be needed to gain leverage in obtaining requested appropriations.

Several parish library systems which previously received appropriations have successfully passed dedicated tax millages to ensure sufficient library funding.

## **CAPITAL PROJECTS FUND**

Most library revenue is used for ongoing operations and maintenance. Periodically, a library needs to finance a building program or other capital program over several years. The options available to a library are to finance the project from existing or new taxes or to issue debt, which the taxpayers must repay. A library director must work with the board and governing authority to determine the best method for that library to finance the capital project. The following paragraphs discuss the possibilities for financing capital projects. Remember, each of these methods require approval or authorization by the State Bond Commission, the parish governing authority, and the voters.

### **Ad Valorem Taxes**

A library may finance a capital project from its existing property tax if the wording of the tax proposition included provisions for "capital improvements." If the operating tax levy is limited to "support and maintenance" items, the library must seek legislative approval before using the tax monies for capital purposes (L.R.S. 25:213 (B),(C)). Many public libraries in Louisiana finance their capital improvements in this manner. It requires a commitment by the board and the parish governing authority in allowing savings to occur, and dedicating the savings to the capital project. Unfortunately, the economy, priorities, and attitudes change. The idea of saving to build two new branches may have been approved by a board several years ago; unless the project is underway, funds could be diverted for other library needs as seen by a new board or a new governing authority.

The advantage to using an existing property tax is that it does not require additional voter approval. However, there are some disadvantages. The library millage may already be rolled to its maximum and nearly the entire amount may be needed for ongoing operations.

Most libraries would need to save funds for several years in order to fully fund such projects. The governing authority may frown upon building savings and may jeopardize the plan by rolling back the library millage.

Consider this example: The building program is projected to cost \$2 million. It is a 10 year project. The current millage is at its maximum. The millage yields an average of \$250,000 a year over current needs for operations and maintenance. These savings also earn interest, which can be added to funds earmarked for the project. After two years, there are sufficient funds to begin the project.

Alternatively, a library may choose to finance a capital project with a special ad valorem tax. This method requires approval of the voters and the governing body. In either of the foregoing "pay-as-you-go" plans, projection of revenue inflows and construction costs is crucial. The timing of the project, and its costs, must be matched against available revenues.

### **Sales Taxes**

A short-term sales tax is another method used to fund capital improvement projects if the tax base of the parish or city is large enough and the economy is stable. There are several advantages to financing the capital project this way. The library doesn't have to pay interest as it would with a loan or a bond sale. The sales tax monies earn interest while invested and the library is free to use this interest for project purposes. Because of the lead time needed while in the design phase, the sales tax funds would have extra time to accumulate interest earnings before major cash outflows are required.

However, monies may be required for site acquisition, architect fees, and other expenses during the planning stage. If these costs cannot be funded out of existing revenues, the project will be delayed until enough sales tax monies have accumulated.

There are other problems associated with using a sales tax for capital projects. The tax base in the parish or city may be too small, thereby generating insufficient resources for the project. Also, the legal limit on sales tax may already be reached in the parish; or, the governing authority may be reluctant to let the library "have" the last 24 or 34 available.

### **Excess Revenue Certificates of Indebtedness**

This method of financing capital projects is, in reality, a loan that the governing authority takes out. This method allows the library to pledge its excess revenues from existing millage towards the repayment of certificates of indebtedness. The tax must be able to be used for capital purposes. In lieu of "saving up" funds from the 10 year millage each year for the project, the library borrows against the savings expected to be generated over the 10 year life of the tax.

Consider this example: using the previous scenario, the library anticipates a \$2.5 million savings (or excess revenues) over 10 years. The library would then borrow against this



money for the project.

This method provides the bulk of the monies needed up front and allows the library to begin the project sooner than if it had built up savings; and, the project is "protected" from having the funding diverted to other needs. Consult L.R.S. 33:2922 and the governing authority for further details.

## **Bond Issues**

Bond monies are used to finance capital projects with long-term debt, not for ongoing operation and maintenance of the library. Bond monies may be used for site acquisition and building or renovating library facilities, including any necessary furnishings, equipment, and initial book collections. A library may also finance its automation project with a bond issue. Bond issues provide the library with a lump sum of money up front. A bond issue allows the library to immediately address capital project needs, without years of waiting and saving. Also, the funds are specifically earmarked for the project and cannot be cut or eliminated during a budget crisis.

Wording of the proposition is critical; it determines the exact use of the bond proceeds. If the proposition says the library will renovate and expand the existing branches and it is later decided to build a new branch in lieu of expanding an existing one, the library must obtain voter approval to make this change. Bond attorneys handle all the particulars of bond issue wording and the issue and sale of bonds. It is important that the librarian work closely with the bond attorney from the beginning. It is imperative that the bond attorney and the librarian have a clear understanding of the proposed uses of the monies to ensure the proposition is properly worded. The librarian and library board should review the proposition carefully prior to placing it on the ballot. Because of the complexities of issuing long-term debt, a bond attorney is essential. The fee schedule for bond attorneys is set by the Attorney General.

Bond issues require passage by a simple majority of the voters. The proposition can be part of any ballot where money matters can appear. Some consideration as to the other items which will appear before the voters might be made before deciding when to call the bond issue election. Conventional wisdom is to avoid elections with many controversial issues or multiple tax matters.

It is necessary to work with architects, consultants, and bond attorneys to determine how

much money is needed for the project. Project funding must include consultants', architects', and bond attorneys' fees. There are also costs for getting the bonds rated and for advertising the bond sale. Election costs are an added expense. The proposition should be worded as to provide for all costs associated with the project.

In addition to voter approval, the parish governing authority must approve the bonds. The police jury or parish council must be aware of the situation. The issue must have their support. It is advisable to discuss the matter with each juror long before it becomes a matter in a public meeting. Voters and elected officials are more apt to support a bond issue that is clearly and comprehensively explained: "exactly what is to be done, how much will it cost, and how will it improve services to the public." A needs assessment based on what services, resources, and programs are to be provided by the library during the next 10 - 20 years can form the basis of the justification. Without governing authority approval, a bond issue will not get on the ballot. A bond issue that doesn't have the general support of all parish officials may be just as doomed.

A bond issue, before appearing on the ballot, must be approved by the State Bond Commission. This is discussed in the [Tax Elections](#) section of this handbook.

Once the bond election carries, the bond attorney, through the bid process, markets the bonds to stockbrokers who, in turn, sell the bonds to anyone who wants to invest. The bonds are issued at a fixed interest rate (not to exceed that allowed under L.R.S. 39:1424) for a fixed period of time (not to exceed 40 years). Every governing body has a credit rating through Moody's or Standard and Poor's, which rates their ability to repay the debt. This rating will affect the interest rate and the marketability of the bonds.

With the bond sale, the library receives the net proceeds of the sale. Funds are invested until needed. The parish administrative offices generally handle the investment of bond issue revenues. Interest earned by these monies are subject to specific IRS rules concerning arbitrage. Interest earned over and above interest paid to bond holders generally must be remitted to the federal government. This is a complex issue and there are firms whose sole business is to handle arbitrage money. A library or governing authority without knowledge of arbitrage might have the added expense of contracting with one of these firms to handle the paperwork.

The library must have some means of paying interest and principal to the bond holders. Interest payments are made annually or semi-annually. In addition to these interest

payments, the bond holders receive a payment of principal each year. Some libraries are able to finance bonded debt repayment from their dedicated library millage. Most often, however, the debt is secured by a special ad valorem tax. A bond issue can also be secured with a sales tax. A tax-secured bond issue proposition that a library places on the ballot consists of two parts. The first proposition authorizes the sale of the bonds. The second proposition affords the means of debt repayment. If bonded debt is financed by a special property tax, enough millage must be levied and taxes collected each year to pay annual or semi-annual interest on the bonds and principal falling due on the bonds (Louisiana Constitution Article 6 '33(B)). This is the "debt service" account. Unlike operating millages, this millage can decrease or increase, depending upon the parish assessment and funds required to repay the bonds.

Finally, a library seeking a bond issue or other funds for capital expansion or automation should also consider recurring operating and maintenance costs associated with the project. Besides supplies, staffing, and book collections needed to maintain the new or renovated facility, thought must be given to the increases likely in utilities, insurance, and building maintenance each year. Often these increased operating and maintenance costs are significant enough to warrant seeking an increase in tax revenues from the voters. This should be part of the planning process. Don't wait until the building is ready to move into before trying to find extra money to run it.

## **LOUISIANA PUBLIC LIBRARY RESOURCES ACT**

In 1992, the Louisiana legislature enacted the Louisiana Public Library Resources Act, establishing the Louisiana Public Library Resources Program.

The act provides that monies appropriated or otherwise made available through the act are to be used for the improvement of the State Library's materials collections and for public library resources. The act includes the following specific purposes:

- 1.to strengthen the State Library's central collections;
- 2.to strengthen the collections of individual public libraries;
- 3.to encourage and enable resource sharing among libraries;
- 4.to develop library collections for specific groups of under-served citizens or citizens without service, such as the disabled, the elderly or those with limited language skills;
- 5.to provide staff training to maximize collection use;
- 6.to provide training programs for public use of library resources;
- 7.to acquire equipment and technology for data location and access;
- 8.to encourage adequate financing of libraries from local sources; therefore, monies distributed to local public libraries must supplement, not supplant local funds.

In 1996 the State Library succeeded in securing \$1,000,000 in state aid to public libraries for technology enhancement and library resources development. Since then the legislature has appropriated significant sums for the above purposes, as well as monies for improving public library internet connectivity with more powerful data lines. As envisioned by the State Library, the ultimate aim is to ensure the smooth functioning of Louisiana Libraries Connect, an electronic network for public libraries.

## **STATE REVENUE SHARING**

Louisiana public libraries which receive revenues from ad valorem taxes can receive a partial reimbursement for taxes which are not collectible by the library due to Louisiana's homestead exemption. State revenue sharing funds **should not** be confused with state supplemental funding for public libraries. Many local governmental agencies and districts receiving ad valorem taxes share a portion of the State Revenue Sharing Fund. Parish libraries, school boards, road and bridge districts, and drainage districts are among those local agencies eligible for these funds.

An overview of state revenue sharing in Louisiana along with information about applying for these funds has been supplied below by the House Legislative Services of the Louisiana House of Representatives.

### **A History of State Revenue Sharing**

The largest single program dispensing discretionary funds to local governments is the annual allocation and distribution of the State Revenue Sharing Fund. The constitution mandates a minimum of \$90,000,000 each year, but the legislature has exercised its authority to appropriate additional sums to the fund (a maximum of \$11,275,650 when funds were available). No additional funds above the minimum allocated \$90,000,000 have been appropriated since 1983. Probably the most important aspect of the program for the individual legislator during the present attempts to balance the budget is the constitutional protection afforded the fund; \$90,000,000 is the guaranteed minimum allocated annually without even the necessity of legislative appropriation. Therefore parishes can expect approximately the same amount as the previous fiscal year barring any dramatic changes in a parish's population or number of homesteads.

With the fund stabilized at the minimum allocation, legislators can also assure local taxing bodies that they will receive approximately the same amounts as the previous year. The manner of distributing the total parish allocation within each parish is explained below and has become fairly well settled. Individual legislators have received fewer requests for amendments to the revenue sharing bill as local taxing bodies have realized that authorizing additional millages to participate in the distribution can only be accomplished at the expense of those presently eligible, i.e., the total parish allocation remains approximately the same and all taxing bodies receive a pro rata reduction to

accommodate the new millage.

Each parish receives an allocation based on the population (80% of the fund) and number of homesteads (20% of the fund) in that parish in proportion to the population and number of homesteads throughout the state. The sheriff receives the parish allocation in three payments from the state treasurer and, after deducting his commission and amounts due state retirement systems, distributes a designated amount to the tax recipient bodies defined by the bill as eligible for such funds; any remaining monies are distributed as excess funds according to the individual parish formula.

The original intent of the fund was to aid those taxing bodies which had been receiving funds from the Property Tax Relief Fund (PTRF - as explained later) as reimbursement for taxes which could not be collected on property covered by the state's homestead exemption. But the normal growth of property assessments combined with increased taxes served to gradually reduce the relatively fixed amount available for distribution within the parish, necessitating an amendment to the bill limiting eligible ad valorem tax millages to those authorized and collected prior to 1978. Any millages authorized and levied after 1978 must be specifically listed within the bill as eligible in order to share with the other eligible taxing bodies and millages within the parish, which subsequently receive a smaller amount as a result of the additional millage sharing in the pro rata distribution.

It should be noted here that even under the PTRF, which totally reimbursed taxing bodies for homestead exemption losses as listed on the tax rolls from three dedicated taxes, the legislature found it necessary to prohibit reimbursement to special taxing districts created after 1956. Local governments were creating special taxing districts which were not parish-wide and consisted mainly of suburban areas outside municipalities, e.g. fire protection districts, water districts, sewage districts, lighting districts, etc. As a consequence, the PTRF was essentially funding those districts and services since most of the property was totally exempt from ad valorem taxation under the state's homestead exemption.

In order to present the state revenue sharing legislation and its administration in proper perspective, a brief overview of the history of Louisiana's ad valorem taxation system and the PTRF is also necessary.

In response to depressed economic conditions the state constitution during the administration of Governor Huey P. Long was amended to provide an exemption from

state, parish, and local taxes for the bonafide homestead of each head of household up to an assessed value of \$2,000. Subsequent amendments increased this amount to \$5,000 for certain veterans. The present exemption of \$7,500 for every head of household applied to the required assessment value of 10% of the fair market value now fully excludes \$75,000 of the value of a house from all nonmunicipal ad valorem taxes.

The legislature, recognizing the effect of the exemption on local governments, created the Property Tax Relief Fund (PTRF) pursuant to constitutional authorization, which fund was to be derived from other state taxes which were imposed at the same time, namely, the alcoholic beverage, public utility, and income taxes. This fund was distributed among the various parishes of the state on the basis of the losses incurred by local governmental units as a result of the homestead exemption.

The distribution of the PTRF was challenged on the grounds that it was unconstitutional in that it denied equal protection of the laws to certain parishes. The distribution formula was declared unconstitutional in 1972 by a federal district court (346 F. Supp. 897) and the decision was affirmed by the U. S. Supreme Court. Because of the lack of any uniform system of assessment of property subject to ad valorem taxation and because the disbursement of the fund depended on actual losses claimed by the parishes, the court concluded that the distribution of the fund resulted in arbitrary inequality and discrimination.

The court noted that Louisiana's system denied homestead owners in Orleans Parish and those who pay alcoholic beverage and income taxes (from which a portion of the PTRF was derived) the same treatment accorded similarly situated taxpayers in other parishes thereby adversely affecting the benefits provided by the local government. The court held that the combination of unequal assessments, limited taxing power, and payments from the fund on the basis of local millage rates resulted in an overall system which breached the constitutional rights of the plaintiffs.

In response to that decision and to effect compliance therewith, a special session of the legislature was convened to propose constitutional amendments, subsequently adopted by the electorate, to eliminate the PTRF and establish the Revenue Sharing Fund.

In order to reflect changing conditions and needs, the revenue sharing bill is reintroduced each regular session for amendment by the legislature. As a matter of practice, the representatives and senators who represent a particular parish will determine, based on local requests, the inclusion of new millages and distribution of any anticipated excess

funds in their parish. The digest accordingly reflects the various local changes made throughout the bill. This approach was considered preferable to the annual introduction of numerous local bills amending a general statute.

### **Applying for State Revenue Sharing Funds**

The mechanics of insuring eligibility for revenue sharing funds are simple - contact your legislator (either representative or senator) and request that new millages be included in the next revenue sharing bill. This request may be made at any time in the interim between annual legislative sessions, ideally for inclusion in the bill at introduction (within fifteen days of convening in March or April), although the bill can be amended at any time prior to its final passage.

Remember, new millages are those which have been added after January 1, 1978 and which have not previously been eligible for revenue sharing participation; the eligibility of participating (old) millages is automatically maintained under the provisions of the bill when they are renewed - no action is required by the taxing body. However, a continuing misunderstanding exists with respect to property reappraisal and concomitant millage adjustments required periodically by the constitution, as illustrated by the following.

A ten mill tax over the course of ten years may be adjusted to eight mills - this is the new authorized maximum and yields the same revenue as ten mills before the reappraisals. But when the taxing body again places a ten mill proposition on the ballot, it is in fact asking the electorate for an additional two mills and will realize a twenty-five percent increase in revenue if approved. Revenue sharing continues the eligibility of the eight mills, but the two mill increase is new millage and must be specifically included in the bill by request.



## **SELF-GENERATED REVENUES**

Libraries may collect fines for delinquent or lost books, charge fees for photocopying, online services, and rental fees for meeting rooms. Policies relating to these fees should be approved by the appropriate governing board (library board or parish council). While tax monies and interest are usually handled for the library by the parish, self-generated funds are actually collected by the library's staff. The library staff is also responsible for depositing these revenues. L.R.S. 39:1212 states that all funds shall be deposited daily, whenever possible, with the parish's (or library's) fiscal agent. The rationale is that the sooner the cash is deposited, the sooner it can be used - either earning interest or for paying bills.

Some librarians have been asked to return fine monies to the Parish's general fund. Several Attorney General Opinions, including 78-553 and 74-476, refer to the provisions of L.R.S. 25: 221 when stating that fine money, lost book money, and memorials fall under the independent control of the library board. Copies of these opinions are available from the State Library's Library Development Division.

AG opinion 78-553 was discussed with the Legislative Auditor's office by the State Library in November 1978. The Legislative Auditor advises that such funds, as well as any interest earned by these funds, are still considered public funds. They should be shown as income within the annual budget and budgeted in the same manner as tax funds. These funds, therefore, are also subject to audit. Remember, these opinions were rendered before the Louisiana Local Government Budget Act of 1980, which explicitly lists the steps to be followed in budgeting and expending any revenues (see [Local Government Budget Act](#) in this handbook). Make sure these self-generated funds are handled appropriately.

## **INVESTMENTS AND INTEREST INCOME**

Each parish deposits funds with a fiscal agent, as provided for under L.R.S. 39:1211-1242.

The fiscal agent must be a bank organized under the laws of the state of Louisiana, another state, or the United States. The fiscal agent is selected under methods described in L.R.S. 39:1214.

L.R.S. 39:1217.1, as amended in 1989, generally exempts parishes and municipalities with populations of less than 100,000 from the provisions of L.R.S. 39:1211 - 1242. However, the parish or municipality must still satisfy the security requirements of those Sections and of any other applicable state or federal laws or regulations, including those limiting the types of investments.

Funds not immediately needed for operations can be invested to maximize return. There are limits on the types of investments made by a public body in Louisiana. These limits are discussed in L.R.S. 33:2955 and L.R.S. 39:1271-1272.

The Fiscal Manual states "generally, unless specified by statute to the contrary, funds earned by investments and property should be returned to the funds providing the property or investment." Thus, interest earned by investing library maintenance funds should be returned to the library's account. Some grants, such as federal literacy grants, require that any interest earned on grant monies go back to the grantor.

## **OTHER FUNDING SOURCES**

As the tax base declines, the economy weakens, and the public becomes more disenchanted with paying taxes, libraries are looking to other sources of income. Usually, this income supplements the library's budget; rarely does outside income replace the need for a "stable" form of tax revenue. Some libraries make specialized library services, such as online database research, self-supporting through user fees. In Louisiana, more often the library looks to gifts, memorials, endowments, foundations, grants, and Friends of the Library organizations for additional income. Fundraising ideas and grant information are discussed in the following two sections.

### **FUNDRAISING**

Fundraising for special projects or for supplementing the budget in specific areas can be done by the library, the Friends, or via legally established entities such as foundations or endowments. The scope of fundraising done by or for a library will largely depend on the need for supplemental funds, the economy of the area, and the time and effort put into the fundraising activities. Many libraries are passively involved in fundraising when they receive memorial contributions. Some libraries, with board and staff support, are able to promote on-going fundraising activities. Other libraries rely on volunteers to coordinate fundraising efforts. A few libraries use professional fundraisers to secure funds for the library. This section will discuss several ways a library can secure outside funding.

#### **Book Sales**

A common fundraising approach is through book sales. Gift books which are not needed in the library's collection and weeded library materials can be sold in this manner. The books are either stored in the library or warehouse space is rented. Some libraries run their own book sales. In many parishes, the Friends of the Library hold the book sale and the revenues from these book sales are used to fund library projects throughout the year. If the Friends run the sale, any discarded library material can be sold by the Friends as long as the library receives the proceeds from the sale of the discarded materials. An informal opinion of the Legislative Auditor's office indicates that a book sale is similar to a public auction (an approved method of disposing of surplus public assets) in that anyone has a chance to purchase the books. See Fixed Assets in this handbook for further information.

Friends-sponsored book sales usually indicate that the Friends have the responsibility for

supplying volunteers to sort, move, and arrange books, advertising and promoting the sale, running the sale, and cleaning up afterwards. A clear distinction needs to be made regarding who is holding the sale, who is generating the money, and how the money will be returned to the library. A cooperative endeavor agreement, signed by the library board (or governing authority) and Friends helps because it spells out in advance the responsibilities and benefits to each party. For a sample cooperative endeavor agreement, check out <http://www.state.la.us/ocr/endeavor.htm> .

Books can be priced individually, sold by the inch, or a combination of the two. Occasional, large sales are the norm, although some libraries have special textbook or paperback sales throughout the year. Silent auctions of "special" books can be utilized to enhance interest and raise significant additional funds. The book sale can be held in the library or space can be rented at a mall or other facility. The book sale coordinator should contact the sales tax collector at the local and state level to apply for sales tax exemption for the book sale.

### **Gift Shops**

Also effective, space permitting, is an ongoing gift shop or bookstore set up in a corner of the library or other rent free, utility free space. Shops can be stocked with a variety of necessary or eye-catching items which are bought at wholesale and sold at retail. Patrons always ask for pencils, pens, and paper. Some enterprising libraries sell these, as well as liquid paper. Items of local or regional interest, such as the parish Junior League cookbook, are popular. If school groups visit the library for tours, inexpensive novelty items, such as football erasers and ballerina-topped pencils, which appeal to children are good to stock. Book-related items, such as fancy bookmarks and book plates, are always popular. Some gift shops stock copies of the more heavily demanded civil service test titles, calendars, Christmas ornaments, and donated hand made items. Many libraries also stock summer reading club T-shirts, pencils, and other tie-ins in the gift shop.

If the shop is in an enclosed area, the area must be staffed by the enterprise running the shop (i.e., Friends or library staff). If the shop is in the lobby, it may be possible for the circulation desk staff to handle shop transactions. Regardless, all shop purchases must be recorded separately from other monies and receipts must be given to customers. Sales tax must also be collected and remitted on items sold. A cooperative endeavor agreement is recommended to sort out obligations and benefits for the parties cooperating to operate a library gift shop.

The biggest drawback to having a library gift shop is that someone must take on the responsibility for the shop: staffing, stocking, and related paperwork. The Library Administrative and Management Association (LAMA) of the American Library Association can provide additional information on library gift shops.

### **Library Foundations and Endowments**

Entities which accept monetary and other gifts on behalf of the library, must be federally established as non-profit ventures in order for donors to receive tax write-offs. Establishing a library foundation is useful when acquiring and spending large donations and bequests. Consult with an attorney to decide on acquiring 501(C)(3) tax-exempt status and formalizing the constitution and by-laws for a foundation.

An endowment can be established through the foundation or established as a separate entity. Donations to the endowment are considered "principal" and are invested soundly by the endowment board. Interest earned by the principal is generally given annually or semi-annually to the library for spending in keeping with the purpose of the endowment. For example, a book endowment could provide the library with supplemental funds for the annual book budget. The XYZ Branch Endowment could provide funds for the annual operations of the XYZ Branch Library.

### **Memorials**

Most libraries receive, without solicitation, contributions each year for buying books as memorials or in honor of individuals. The library can work with local attorneys, funeral directors, and insurance agents for these professionals to promote the library as a recipient for memorials, for inclusion in wills, or as the beneficiary of insurance policies.

### **Other Fundraising Opportunities**

Many clubs and organizations have specific areas of interest in the community and are involved in charitable causes. These groups can be approached for recurring sponsorship of particular materials or programs. For example, the Lions Club could be approached for a donation for purchasing large print books and books on cassette. The Optimists could

be asked for an annual donation to purchase children's materials or sponsor children's programming. Associations such as the medical auxiliary, dental auxiliary, and bar association could be asked to annually underwrite the cost of reference materials related to their professions. Many school systems have established "Adopt-A-School" programs which create a partnership between a local business and a particular school. The library could establish a similar program, "Adopt-A-Book", with businesses as well as community organizations.

Whatever the scope of the fundraising activity, the library should establish procedures for acknowledging the donations. Except for the occasional anonymous benefactor, most donors like recognition for their gifts. Publicize all gifts. Use all media available to recognize donors; place gift plaques in the library; send gift acknowledgements; and take advantage of every photo opportunity.

Talk to everyone in the community: tout the library's special programs; brag on the library's increase in usage; then mention fundraising activities.

Make the giving process easy for donors. If the effort is organized, the payoff will be greater and the jobs of those involved in the fundraising effort (from soliciting to accepting and spending the funds) will be easier.

Be wary of the gift with strings attached, but try never to refuse a gift. If the library cannot use a piece of equipment being donated, see if the donor is willing to have the equipment sold, with the proceeds going to the library. Sometimes it is worth naming that branch library after a generous benefactor. Note, however, that L.R.S. 14:316 prohibits naming a public building for a living individual. The library board must establish gift acceptance procedures and must follow them.

The library director must be aware of all fundraising efforts on the library's behalf. There will inevitably be conflicts between the different fundraising groups. These groups are all competing for public dollars, and they must remember that the dollars are being solicited for the same purpose: to help the library.

Look through library books on fundraising for ideas. One good source is Fundraising for the Small Public Library: a How-to-do-it Manual by James Swan (Neal-Schuman, 1990). The State Library also has many books on establishing foundations and fundraising efforts.

Success in fundraising is often cumulative. Rarely will a library "wake up" one morning to find it has been left a \$1 million bequest. Fundraising efforts are never easy; the hardest part is getting started. The winning efforts make the process worthwhile.

## GRANTS

Billions of dollars in grants are available from private foundations, government agencies, and corporations. The competition for that funding is very keen. Some grantors report a rejection rate of 75 to 80%. Grantsmanship can be defined as the skill of knowing where the money is and how to get it. These skills can be acquired by librarians through study, seminars, and experience. The lack of information, rather than the lack of skills, is usually the reason for rejection of grant proposals. Matching the library's needs with the funding priorities of the granting organization is vital to the successful application. This can be done through the research of available materials.

In 1991, the LLA Public Library Section's Grants Committee did a survey of Louisiana public libraries to assess grant-funding needs and obstacles. From the survey completed by 44 parish library directors, the priority needs of Louisiana's libraries were established:

1. automation
2. new buildings
3. equipment
4. staff
5. programs for adults, children, and young adults.

The greatest obstacles to obtaining funds in priority order are:

- 1.lack of time to look for available sources
- 2.lack of skill in grant proposal writing
- 3.lack of available funding sources
- 4.lack of time to contact sources/lack of skill in making contacts with available sources.

The kind of grant pursued by a library will require the director and "grants staff" to develop different contacts and strategies. A brief summary of the most commonly known grant types follows:

**Capital** - Usually made to established organizations to meet future service demands. Includes funding for land acquisition, building construction, and equipment purchase.

**Challenge/matching** - The pledge of a specified sum, to be paid only if the



nonprofit raises an equal or otherwise designated amount.

**Conditional** - Similar to a challenge grant, but the grantee must satisfy some condition other than matching funds.

**Earmarked** - Grant made to a third-party for use by a nonprofit just getting organized and that has applied for 501(c)(3) tax-exempt status.

**Endowment** - Funds donated for investment to provide a nonprofit with regular income.

**Funding crisis** - Grants to assist nonprofits experiencing unexpected or temporary financial problems.

**General support/unrestricted** - Funds which may be used for a broad range of organization needs, including general operating.

**Research** - Grants for medical, educational, and other types of research and associated research activities.

**Seed** - Start-up funding for a new program or organization.

**Technical assistance** - Grant awarded to a nonprofit or to a third party to provide needed services.

After deciding what kind of grant is needed, look for a funding source. There are a number of possibilities including foundations, corporations, and government, civic, service, and religious organizations. Each source has basic characteristics:

**Foundations** - A nonprofit organization created for the purpose of establishing or maintaining charitable, educational, social, and religious activities for the common good. Because of their special tax privileges, foundations are required to donate 5% of the market value of their assets to charitable causes. The various types of foundations include: independent/ family, corporate, community and operating. The operating foundation is one established by a nonprofit to fund its own programs.

**Corporations** - The grant making process differs from company to company. Usually there is a contributions committee comprised of the CEO and other senior management. Learn who does the staff work and ask for criteria and deadlines.

**Community organizations** - These are good prospects for small grants for ongoing programs or special projects for a well-known shared community need. Contact is usually made through the local president or other leader.

**Government** - Government is still big business! Public funding is available for those interested enough to track it down.

**Bank Trust Departments** - Banks and financial institutions manage trust funds of

all sizes. In some cases, investment income can be disseminated to charitable causes. The decision-making process includes the donor, family members, and perhaps a trust officer. Trust officers know about the availability of funds and grant eligibility requirements.

After identifying potential funding sources, learn as much as possible about the grantmakers. The chamber of commerce, local business and organization directories, yellow pages, and government development offices can be helpful. Request an annual report and funding guidelines from the prospective funders. Make informal inquiries by letter or phone to top prospects. Briefly describe your library, its needs, and offer to send a formal funding proposal. Schedule a preliminary meeting to discuss proposal basics.

Consider sharing a grant with another nonprofit.

Good research, followed by a good proposal, will gain you consideration. A great proposal may get you the grant. There are numerous books explaining how to write a grant proposal and where to locate funding sources. Plan on investing a significant amount of time to thoroughly research possibilities and to study the components of grant proposals. Research materials are available through the Foundation Center.

The Foundation Center's regional collections are found in four Louisiana libraries: Shreve Memorial, Beauregard Parish, Centroplex Branch of East Baton Rouge Parish, and New Orleans Public. The collections provide in-depth information on foundations nationwide. Educational programs are frequently presented by the Louisiana Endowment for the Humanities and the Louisiana Division of the Arts. Numerous how-to books have been published to educate the newcomer to grantsmanship. A selective bibliography follows this article.

## Sources - Grants

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## THE BUDGET

The library budget cycle, including planning, spending, and reporting, takes a significant amount of a library director's time. Most parish library administrators don't have an accounting or finance degree. Some libraries have a business manager or finance officer on the library staff with this expertise. Often, especially in smaller library systems, the library director has sole budget preparation responsibilities and learns this process by experience.

Libraries must plan more than a "lump sum" budget; that is, the budget is more detailed than "receive \$100,000, spend \$100,000". There are various budgeting tools and practices. The line-item budget adopted by most Louisiana public library systems conforms to account codes established by the Legislative Auditor. Descriptions of other types of budgeting practiced by libraries can be found in library management books. The following sections of this handbook discuss the budget planning process and budget management techniques and information.

## PLANNING THE BUDGET

### Codes

The Louisiana Legislative Auditor has established a standard chart of accounts (or codes) for local governments to facilitate uniformity among local governments for budgeting, accounting, and reporting. These codes can be found in the Fiscal Manual - Louisiana Local Government, published by the Legislative Auditor in 1983. (Note the legislative auditor's website is at <http://www.lla.state.la.us>.) The Library Development Division of the State Library of Louisiana has, with the approval of the Legislative Auditor's office, tailored these codes for parish libraries. The financial reporting pages of the State Library's report packet, Public Library Statistical Report Form (the Annual Report), uses these codes. Not every code will be used by every library, and some libraries may use additional codes for items not included on the Annual Report. The definitions section of the Annual Report gives a description of each code, consistent with that found in the Fiscal Manual.

Each library should have a copy of the Fiscal Manual. The manual has not been updated since 1983, although the majority of information contained in this manual is still valid. (Available from the Office of the Legislative Auditor, P.O. Box 94397, Baton Rouge, LA 70804-9397 Telephone 225 339-3800.)

These codes should be the basis for budgeting, accounting, and reporting for the library. Some parishes have further customized these codes to their own needs. Some parishes may use different codes due to the technology of their computerized accounting systems. The librarian needs to convert local codes and line-items in order to submit the Annual Report to the State Library.

### **How to Plan the Budget**

There is no magical solution to budget planning. Previous and current year information, as well as future needs of the library, are a good place for the new director to start. If the library has a 3-year or 5-year plan, the budget should reflect these goals. Generally, a library director's goal is to keep costs low while expanding services, or, during lean years, while not reducing services to the public. Anyone who has planned a budget knows that this is not usually an easy task.

Some libraries have an operating budget and a capital budget. Some libraries combine these. A good explanation can be found in Section 110, Page 2 of the Fiscal Manual. A separate capital outlay budget for major projects, such as a branch construction project, may also be a part of the library's overall budget. Confusing to most librarians is the designation of "books" as a capital expense. The Legislative Auditor considers public library books as tangible assets with a life generally over a year - not unlike equipment and furniture. This is discussed in more detail under Fixed Assets in this handbook.

Librarians often wonder if there is a target amount of revenues for the library or a set percentage which should be spent on books, personnel, or other costs. The Standards for Louisiana Public Libraries (1995) set the minimum standard for local revenues as the national per capita average. (For the national per capita average, see the latest edition of U.S. Department of Education. National Center for Education Statistics. Public Libraries in the U.S.: E.D. Tabs. For more information on NCES checkout its website at <http://www.nces.ed.gov/>.) In the section on library materials, a library would meet the state standards if it spends 20% of its operating budget on materials.

Consult the most recent Public Libraries in Louisiana: Statistical Report to see where your library stands. For example, the 1997 report shows that, on the average, public libraries in the state spent around 58% on personnel costs. Personnel costs vary depending on size

of the library, if a civil service or unionized personnel system is in place, and the percentage of employee benefits which are borne by the library. Referencing the same report, Louisiana public libraries averaged spending 13.46% of the operating budget on books and other library materials in 1997.

Wheeler and Goldhor discuss a long-held recommendation that 70% of the operating budget should go towards personnel costs and that 20% should be used to purchase library materials. The authors state that this recommendation was probably derived from a national average, and caution that each local situation, rather than a national average, should dictate budget estimates.

### **Budget Planning Major Categories**

Estimate current year revenues and expenditures, revised based on year-to-date activity. Revenues, especially, may differ from what was originally budgeted.

**1. Salaries and Benefits:** Compute current costs, including all library-paid benefits. Spreadsheet or database software greatly facilitates budget calculations. Prepare several options, such as a 2.5% increase, a 5% increase, cost-of-living increases, increases for salaried but not hourly employees, merit step increases, etc. Some boards decide on raises based on the amount of money available after other expenditures, including current payroll, are established in the new budget. The amount of raise (to give or not) may be controlled by parish or civil service regulations.

**2. Operating costs:** The best estimate of operating costs is to look at current prices, how much they changed over the past year or two, and estimate costs for the next budget year. Sometimes it is helpful to call vendors to see if prices will increase during the next year. Sometimes, however, this just gives a vendor the opportunity to raise his price.

**3. Book budget:** Determine the average price the library pays for book and audio-visual items. Build in an inflation factor for the next year. Determine how many items will be added to the collection. Evaluate the reference collection, especially where new editions of encyclopedias and other titles will be needed. These items usually cost well above the average price of the book collection. Grant monies and other funds for book purchases should also be included in the budget. Periodicals jobbers often can provide renewal price information for subscriptions. Be sure to add in costs for any new titles when planning for

the budget. Also, budget monies for any extra supplies necessary to process and circulate items if the book budget has been significantly increased.

**4. Equipment:** Equipment is often the first to be cut at budget time. Justify the library's equipment needs in detail. Whenever possible, indicate how many people will be using the equipment (such as a reader-printer or computer) and how much time this equipment will save. For example, a \$1,500 time clock that automatically calculates time cards may pay for itself within a year in labor savings alone. Use catalogs for current prices. Add shipping to these estimates, and build in a 5% or 10% inflation factor. In cases where equipment will be bid, get a ballpark quote from one or two vendors for budgetary reasons. In some cases, it might be cheaper to rent a piece of equipment than to purchase it, or renting might allow the library to acquire a larger quantity more quickly. For example, a library might only be able to purchase one copier, but could rent two copiers.

**5. Building projects:** Get quotes from vendors on carpeting, landscaping, painting, or other anticipated projects. Since many building needs are often unanticipated at budget time, budget some monies for contingencies. If the library has a building plan or equipment replacement schedule, use these items during budget preparation.

**6. Travel:** Travel is another area often targeted for cuts at budget time. Remember that the travel category includes the costs of continuing education activities, meetings, workshops, and conferences, as well as travel expenses related to daily library activities. As stated in the "Continuing Education" article in this Handbook, continuing education is **not** a luxury, but a vital area of funding for the library director, professional and support personnel, and board members. Consider basic travel expenses that the library incurs for the "day to day" operations, as well as travel expenses and fees for those attending upcoming local, regional, and national functions. An established travel and reimbursement policy should prevent any confusion concerning reasonable fees, travel expenses, meals, accommodations, etc.

## **Words of wisdom**

Here are some additional thoughts and ideas from colleagues regarding budget preparation.

Recurring costs should not be funded from "one-time only" revenues such as grants or fund balance, without consideration as to where future ongoing funding will come from.

Personnel costs will eat up a significant portion of the budget, as will operating costs such as utilities, telephone, and branch rentals. Many costs are fixed by others and the library has very little control over the cost or whether the service can be eliminated.

Re-evaluate supply purchases and usage. Keep an inventory of supplies used and on hand. Can the library get forms printed by the vo-tech school or a government print shop at cheaper cost than producing in-house or via commercial printing? Solicit donations from groups for programming costs. Can the library save on postage by participating in a co-op van delivery service or by using the library van to run to neighboring libraries? Will faxing or e mailing correspondence save postage and envelope costs?

Solicit input from the staff and the library board. Depending on the size of the library, each department might submit a formal budget request, including personnel, books, services, and equipment. Priorities should be set by the staff, the director, and/or the board in the event not all requests can be funded.

Where do cuts come from? Personnel costs and the book budget represent the largest budget items. How will the public be impacted by these cuts? Will staffing cuts impact the public's perception of service? Will there be public outcry if the book budget is cut? Can the library reduce operating hours or close facilities? There are no easy solutions to these problems.

Cooperative purchasing may be an option worth investigating. Check with the school board, city, and parish purchasing departments. Purchasing items, such as fluorescent bulbs, from state contracts, should save a library money. Buying those library supplies which are also office supplies from a local office supply company can save both shipping costs and delivery time. Many local office supply companies give discounts to governmental bodies.



Re-evaluate service contracts. Look at carry-in options compared to the cost of on-site service. Examine service contracts on equipment to see if every typewriter, computer, or printer needs a service contract. Keep records of equipment service calls (if possible, computerize), and use this to judge maintenance needs. For example, if the library has service contracts on 10 typewriters @ \$90, but averaged only 4 service calls @ \$50 for the past 2 years, the library would save by going on a per call basis for typewriter maintenance.

Usually, it pays to keep service contracts on copiers or other equipment used by the public.

Consider contracting out services such as lawn upkeep, building maintenance, and security guard services. Weigh the costs of in-house personnel to perform these tasks against the cost and quality of services available through privatization.

Investigate options for local and long distance telephone service. Telecommunications options are always changing; often, the library can improve telephone service at reduced costs. Contact the State Library for additional information.

Use jobbers for most book purchases and make sure the library is getting the appropriate discount. Consider ILL for items over a certain dollar amount or for specialized items. Solicit funds for specific titles. Remember to include supplies and personnel needed for acquiring books purchased from donated funds or grants. Sometimes, these costs cannot be funded through the grant and must be absorbed by library.

Use state contract prices for computer equipment and some office equipment. Often the library won't get a better buy, can order from a local vendor, and doesn't have to pay shipping.

Plan for the long term, as well as the short term. Today's quick and easy solution may be to balance the budget with the library's fund balance (surplus funds). Remember, surplus funds can quickly be eroded and the basic funding problems will still be present.

## **BUDGET PRESENTATION**

Budget presentation is often as important as budget preparation. In Louisiana, the library's annual budget is usually formally presented to the library board of control and the Governing Authority. In addition to these formal presentations, the budget might be reviewed with a special board committee or with governmental officials such as the parish treasurer, finance director, or other financial personnel with oversight responsibilities. The size and organization of the library often prescribe the formality and type of budget presentation required, and it is incumbent on the librarian to seek out governmental officials with financial authority to determine their budgetary requirements both in format and in presentation.

The type of budget presentation is usually prescribed by the library's funding source. If the library has its own millage, board approval is often tantamount to council or police jury approval. If the library is in the general fund budget, approval by the governing authority becomes crucial to the library's budgetary success.

### **Budget Presentation to the Board**

Budget presentation to the board should not be viewed as a once-a-year occurrence; it should be a year-round activity. Parish librarians should reserve a portion of each board meeting to present budget information, which should include reports on revenues received or anticipated, expenditures, encumbrances, and projections. Some boards have formed committees to review library finances on a regular basis, to sign checks, and to assist with the annual budget preparation. Other boards delegate this responsibility to the librarian and the staff and request either monthly or quarterly reports. The librarian should seek to provide the board with the type of presentation and the specificity of information that will help them to understand the budget and to best interpret it to the community.

One board meeting is usually reserved for the presentation of the annual budget. The timing of this meeting depends on the library's budget year and on any time constraints imposed by the governing authority. The format of the budget, as presented to the board, should be one which the board can easily follow and understand. However, the format of the budget, as submitted to the governing authority, is often dictated by the governing authority for conformity among other departments. The librarian should keep this in mind when preparing the budget and should consolidate formats if possible.

Some hints for an effective budget presentation to the board are as follows:

1. Distribute copies of the proposed budget to the board members. Some librarians mail the proposed budget to members a week before the budget meeting. This gives board members a chance to study the budget and come prepared with questions and suggestions. Have extra copies of the budget available at the budget meeting. This will prevent delays when you discover that some board members left their copies at home or didn't receive copies in the mail.

Other librarians choose to distribute the proposed budget during the budget meeting. This gives the librarian the chance to make sure everyone receives a copy and lets the librarian review budget highlights before board members start reviewing each line-item or asking questions. However, if board members don't see the proposed budget until the budget meeting, the meeting will likely be a lengthy one. Also, the board may not feel comfortable adopting a budget they are seeing for the first time.

A third option is to distribute the budget at a special board meeting called for that purpose. The librarian makes a brief presentation focusing on budget highlights, funding available, special projects, and potential problems that the board should keep in mind when reviewing the budget. The budget meeting, where discussion and adoption takes place, is held several days or a week after the special meeting.

2. Some librarians make effective use of visual aids in their presentation to allow board members to follow the items being discussed. If a presentation is made using transparencies or computerized slide-show software, consider distributing printed copies to the board right before the presentation. Although board members sometimes "jump ahead" of the presentation by reading through the copies instead of following the presentation, the advantage of having the board simply make notes on their copies, rather than trying to copy down what is being projected, usually outweighs the disadvantages.
3. **Number** all pages for easy reference. Consider color-coding different components by using pastel paper, and start each component's numbering

with "Page 1". For example, put "revenues" on letter size white paper; "fund balance status" on mint green letter size, "expenditures" on legal size white paper, the justification for three new librarians on lavender paper. This will make the meeting go smoother when someone asks a question.

4. Discuss the scope of the budget and indicate if percentages have been used in making projections in the various categories. Briefly review current year revenues and expenditures and project current year-end figures. Always discuss anticipated revenues and fund balance status. A quick review of finances and needs until the next tax election might also be in order.
5. Present the major budgetary components separately such as personnel, supplies, contractual services, library materials, and capital expenditures. Give board members the opportunity to ask questions and make comments and/or suggestions.
6. Identify **all** proposed new expenditures and explain how these budget items relate to board priorities and library programs and collections. It is often helpful to project the cost of these new expenditures or programs for several years. This will allow board members to view not only the impact on the requested budget, but the impact on future budgets.
7. Incorporate specific board actions and recommendations into the final budget.
8. Receive official board adoption of the budget prior to sending it to the next echelon for approval.

### **Budget Presentation to the Governing Authority**

The necessity for, as well as the types of, library budget presentations to the local governing authority varies greatly among parishes. Libraries that adopt their own budget may not be required to make a budget presentation to the parish governing authority. Some libraries submit the board approved budget to the governing authority for incorporation in the parish's budget process without making a presentation to the governing authority. Other libraries are required to discuss the board approved budget

with the parish governmental offices and also make a presentation to the governing authority. It is incumbent on the librarian to know the type and length of presentation expected, if any, and to be prepared to respond to questions regarding **every** aspect of the proposed budget.

The following will help the librarian when presenting the budget to the governing authority:

1. Encourage either the board president or the board financial officer to make or assist with the presentation. If the library has a business manager, this individual should attend the budget review session and be prepared to answer questions.
2. Provide an overview of the library's mission and funding source. This overview should include any percentage increases or decreases on projected revenues and should include specifics about all new personnel and programs requested. Handouts demonstrating library use can be helpful in substantiating a request for additional staff or new programs. If a presentation is made using transparencies, consider distributing a copy to each member of the governing authority right before the presentation. Have a packet of information about the budget available for the press.
3. Understand thoroughly the library's budget proposal and appear forthright and candid in reviewing the budget.
4. Provide an opportunity for questions. Be sensitive and responsive to comments and questions and remember that the emphasis and structure of the budget presentation to the governing authority will often be dictated by time constraints and questions posed by the review committee.
5. Adhere to the time frame allotted for the presentation. The library will probably be scheduled along with other parish agencies, and it is important to stay within the time allowed. An additional meeting may be needed to discuss particular issues or to provide additional information as requested.

Budget presentations to the library board of control and the governing authority are significant parts of the entire budget process. An effective budget presentation can make a considerable difference regarding the level of funding received. Consequently, extreme

care should be taken to plan presentations that present citizen needs for materials and programs in the most persuasive and positive manner.

## **LOCAL GOVERNMENT BUDGET ACT**

Each political subdivision of the state of Louisiana is required by law to prepare an annual budget in accordance with the **Louisiana Local Government Budget Act** (L.R.S. 39:1301 et seq.). This act provides minimum guidelines to libraries. Additional budgetary policies and procedures may be mandated at the local level. L.R.S. 39:1303(C) specifies that the Local Government Budget Act includes home rule charter governmental bodies.

The budget document must be presented to the governing authority of the political subdivision and must be made available for public inspection no later than fifteen days before the beginning of the fiscal year. This document must include a budget message summarizing the proposed financial plan, policies, and objectives of the political subdivision. A consolidated statement for each fund, including beginning and ending fund balance estimates, itemized estimates of revenues and receipts, and recommended itemized expenditures must be included. Proposed expenditures must not exceed the total estimated funds available for the ensuing fiscal year. Finally, the proposed budget must include a proposed budget adoption instrument, such as a resolution or an ordinance. For specifics, refer to L.R.S. 39:1304(D).

Political subdivisions with proposed expenditures of \$250,000 or more must follow the provisions in L.R.S. 39:1306 regarding public input into the budget process before formal budget adoption. This procedure includes public budget hearings with prior notification in the official journal of the governing authority. Adoption of a budget where approved expenditures exceed the total of estimated revenues available is prohibited by L.R.S. 39:1308(B).

If the budget for the ensuing fiscal year is not adopted by the end of a fiscal year, L.R.S. 39:1311 dictates that the political subdivision shall operate with amounts appropriated at 50% of the preceding year's appropriated level.

L.R.S. 39:1310 directs revenues and expenditures to be monitored within the framework of the approved budget. Written notification by the chief executive or administrative officer to the governing authority is required under certain conditions, including when revenues fail to meet the estimated budget figure by 5% or more or when expenditures, within a fund, exceed estimated budget figures by 5% or more.

As the adopted budget is a plan and guideline to follow during the year, state law

recognizes that this budget may need to be amended. This is discussed in L.R.S. 39:1309. Procedures for amending the budget will vary by parish. Amending by transferring funds from one line-item to another without changing fund balance may be up to the library board of control, the library director, or the parish administration. Amendments which change fund balance or the bottom line for revenues or for expenditures usually require amending the budget under L.R.S. 39:1309.

Who actually approves and adopts the budget will vary with the library system. Many parish libraries are required to submit their library board approved budget to the parish council, police jury, or parish administration for inclusion in the overall parish budget process. The advantage to this system is that the library's budget hearing is included with the overall parish public budget hearing. There can, however, be conflict when the parish administration and/or governing authority does not agree with the budget approved by the library board.

Other parish libraries prepare their budgets, hold public budget hearings, and adopt the budget by action of the library board of control. This can save the library staff time and paperwork in duplicating efforts for library board approval and parish approval. However, the burden of advertising and fulfilling legal requirements falls on the library director. The advantages to holding a separate library budget hearing are that only one body approves the budget and that the library doesn't end up in the middle of a political controversy between the library board and the parish.

Finally, once a budget is adopted, the document forms a financial plan for the year. It should be used to manage and monitor library finances, as well as to provide periodic reports to the board.



## **MANAGING THE BUDGET**

After the budget is approved, it is the director's responsibility to see that expenditures are in line with the approved budget. Just as there are laws and procedures governing the budget process, there are laws and procedures governing the corresponding expenditures.

### **Purchasing**

Each library should establish purchasing policies and procedures. The Public Bid Law (L.R.S. 38:2211 et seq.) spells out the requirements for contracting for public work and goods and services above certain dollar amounts. Public libraries are bound by this law. The local governing authority may have a local purchasing ordinance or procedure which the library staff must follow, in addition to the public bid law. The library director must be aware of these laws and regulations.

Some parishes have a central purchasing process, and the library may be required to participate. Central purchasing has both advantages and disadvantages. Centralized purchasing generally uses a requisition and purchase order (P.O.) system, ensuring a paper trail for all purchases. Bulk purchasing at the parish level may result in better prices for the library. However, many library supplies, and some equipment, are unique to the library (book jackets, library cards, shelving, CD-ROM workstations). The library staff will need patience and perseverance when explaining to centralized purchasing personnel what the items are used for and why, for example, the library cannot use book trucks where the shelves are screwed onto the frame rather than welded. This procedure may be more cumbersome than the library would like. In addition, the library must allow additional lead time for routing requisitions to the parish purchasing department for processing. Acquisition of library materials (including the use of book jobbers and subscription agencies) may require a bid or contract through centralized purchasing, although the actual selection, ordering, and receipt of these materials is still kept within the library.

Depending on the volume of purchasing, the library may need to institute a purchase order (P.O.) system. Many vendors will bill to public bodies only if a P.O. authorizing the purchase is issued. A P.O. system enables the library to keep track of authorized purchases in an efficient manner. Whatever system is used internally for authorizing and tracking purchases, the director is responsible for seeing that only authorized (and legal) purchases are made in line with the adopted budget.

A staff member should not be allowed to "pick up" pencils at the store because he needed them, present the bill, and expect to be paid from library funds. This scenario prevents the library from taking advantage of bulk pricing, takes the director out of the decision-making process, can wreak havoc with the budget, and weakens controls. Make sure both the staff and the board know that all purchases follow the internal procedures which have been established by the board and the director. There will be circumstances when it is in the best interest of the library to have a staff member use petty cash to purchase something but only after the purchase has been authorized.

Be aware of state and local conflict of interest and nepotism laws regarding purchasing goods or services from or contracting with relatives of board or staff members (see [Ethics](#) in this handbook). Also, be aware of questionable business practices, such as contracting with a good family friend, which might not violate state ethics laws but could cause a negative opinion of the director and of the library.

### **Telecommunications and Data Processing Procurement**

L.R.S. 38:2234 et seq. allows a political subdivision to issue a Request for Proposal (RFP) instead of an Invitation to Bid for the purchase, rental, lease, or lease-purchase of telecommunications and data processing systems. This includes computer equipment, software, and related services, such as maintenance. Equipment and services covered under this procurement process are defined in L.R.S. 38:2236. Several libraries have used this method for procuring automated library systems and system upgrades.

The RFP process is described in L.R.S. 38:2237. It is similar to the bid process. Specifications must be developed, sent to prospective vendors, and advertised for an appropriate period of time in the official journal. In the bid process, the vendor submitting the lowest responsible bid that meets the specifications must be awarded the bid. In the RFP process, the specifications must include a list of criteria with assigned point values which are used in evaluating the responses from the vendors. Such criteria might include price, functionality, vendor reputation, vendor stability, and system expandability. The specifications must also detail the evaluation process. Thus the RFP process allows the library some flexibility in selecting the system which best meets the library's needs, rather than the system which is the cheapest.

During the RFP evaluation process, the library may narrow the list to the two or three

highest scoring systems and invite those vendors in for site demonstrations and further negotiations. There is some flexibility in modifying the choice of equipment or software, but a library should not deviate significantly from what was in the RFP. It is a good idea to have the library or parish attorney review legalities of the process and sit in on the evaluation and negotiations process.

System equipment upgrades or migrations which are over \$15,000 are subject to the bid process or, at the library's option, the RFP process. Since compatibility of data (and possibly existing software and equipment) is usually an issue, the bid or RFP may require compatibility with the existing system or data. A vendor can be required to demonstrate this compatibility before being awarded a contract.

Finally, a significant expenditure on telecommunications or data processing items often requires a contract between the selected vendor and the library. Rather than using the vendor's boiler plate contract, the library should make sure the contract is written to the library's best advantage, especially in areas of vendor performance, library satisfaction, and payment schedules. In fact, L.R.S. 38:2237 requires certain language to be placed in the contract. A library should consider hiring a library automation consultant to assist with the complex tasks of developing specifications, evaluating responses, and negotiating the contract.

### **State Contracts**

The Division of Administration - State Purchasing maintains a list of items and brand names currently on state contract. The contract prices are generally good for a year from date of contract. Office supplies, purchase and rental of equipment, as well as maintenance agreements for equipment, are under state contract. Because of bulk purchasing, the prices available through state contract are usually very competitive. Items purchased on state contract are not subject to the provisions of the public bid law. A public library may purchase any of these items for library use. It still pays to shop around, however, since contract prices could be as much as a year old. Computers are among the items that frequently decrease in price during a twelve-month period. To contact State Purchasing, telephone 225 342-8062. To ascertain items on state contract access the following websites: <gopher://vm.cc.latech.edu/11/lascmain>  
<http://www.state.la.us/osp/Search-Intro.htm>

## **General Services Administration Procurement**

Act 1255 of the 1995 regular session of the Louisiana State Legislature allows public entities to procure materials, supplies, and equipment from federal General Services Administration (GSA) supply schedules. Such items must not be available at a lower price on Louisiana state contract. Additionally, there must be a Louisiana licensed dealer or distributor for the item(s) through the GSA contract. Details can be found in L.R.S. 38:2212(P) and (Q). (Federal vendors may prove reluctant to allow libraries to use the GSA contracts.)

## **Sales Tax**

Act 1029 of the 1991 regular session of the Louisiana State Legislature exempted all political subdivisions of the state, effective September 1, 1991, from all state sales and use tax and from sales and use tax levied by any political subdivision. This includes all public libraries in Louisiana. L.R.S. 47:301 contains the full text of this act, as well as any relevant Attorney General opinions.

## **Bookkeeping and Accounting**

Most public libraries in Louisiana order and receive their own goods and library materials. Invoices for payment are usually prepared for payment by the library staff. This involves verifying the invoice, "coding" the invoice with the appropriate budget code, and authorizing it for payment. Usually the bills are paid and books are maintained by the local governing authority. Some parishes which provide administrative services, such as bookkeeping, charge the library annually for such services. These charges are authorized under L.R.S. 33:1236(35)(a) and cannot exceed 4% of library's revenues **or** the actual costs incurred in providing direct and indirect services - whichever is less. Additionally, the law provides that such administrative charges be established by agreement between the governing authority and the library.

Several libraries, under L.R.S. 25:215, have received legislative authority to administer and handle the accounting functions for all of their library funds. Refer to the article "Fiscal Emancipation" in this Section for information about the process for obtaining this authority. Contact one or more of the directors of those parish libraries for information on how they

handle their own bookkeeping. Some library systems purchase materials on their own, manage their funds, and basically control their budget, even though formal fiscal independence has not been granted. The governing authority may permit this method to save themselves the work.

Accounting records are to be kept in accordance with generally accepted accounting principles. The modified accrual form of accounting is the basis of accounting for local governments in Louisiana. See an explanation of this and other forms of accounting in the Fiscal Manual.

Regardless of who handles the accounting of library funds, the librarian should receive the following monthly financial reports: revenues, expenditures, itemized list of checks paid, and investments. The librarian, or designated staff member, should review these reports to catch any errors and to monitor spending in line with the approved budget. Try to anticipate possible problems with the budget. The director must keep informed and must keep the board informed about needed changes. Remember, the budget is a guide for spending. Circumstances which occur during the year could require a change in the approved budget. Some libraries can "move money" between funds, with board approval.

Some libraries might have to get governing authority approval for this. Any amendment to the budget which will change the fund balance is likely to fall under provisions of the **Local Government Budget Act**. Refer to that section in this handbook for further information. Check with the board and parish administration to determine the procedures which need to be followed for amending the library budget.

In an emergency situation, the library director must be able to resolve the situation even if funds are not currently in the budget for the emergency. State and local purchasing laws discuss what qualifies as an emergency. Have the board approve emergency purchasing procedures. Funds to cover this emergency situation will still need to be found elsewhere in the budget or from the fund balance. The director also needs to report to the board, and possibly the governing authority, on emergency spending.

### **Approval of Expenditures**

L.R.S. 25:220 states that the governing authority is responsible for paying, with library maintenance funds, the monthly salaries, expenses, and maintenance costs of the library once these costs are approved by the board of control or designated board member. L.R.S. 25:215 transfers this function to the library in certain parishes, as specified in the

law. Some libraries have the board president sign, or the board approve, a claim sheet itemizing bills each month before these bills are submitted to the Parish for payment. Because the library board approves the library's budget and reviews financial reports on a regular basis, some boards authorize the director to pay bills as a part of the administrative function. This is usually stated in the by-laws of the board or done by resolution of the board.

Some parishes pay bills and employees twice a month. The library is bound by the parish's internal procedures and is often required to send bills on a daily basis rather than batch them. The parish finance department can answer questions about such internal procedures and help the director coordinate library procedures with the related parish procedures.

### **Duplicate Set of Books**

**It is imperative that the library keep a set of books or other mechanism to double-check the bill paying and accounting of the Parish.** There are several important reasons for doing this, even though some librarians feel that this duplicates work. The director is accountable to the board and the public for expenditure of library funds and must be aware of what is going on with these funds. A variety of mistakes can occur when paying bills: coding, vendors, or amounts can be keyed incorrectly; the library could be inadvertently charged for another agency's utility bills; the library staff could receive a call from a vendor questioning payment of a bill that should have been already paid by the parish; the parish could begin charging the library for items not in the budget; financial reports may not come on a timely basis from the parish. The library will not be aware of this if it is not checking what is being charged against the library fund. The problems associated with this, including both the director's and the board's need to know, are lessened if the library has kept track of library expenditures.

As a minimum, keep a duplicate copy of all invoices sent to the parish for payment, along with the date submitted for payment and coding information, and record in a ledger or in a computer database package, at least the code, vendor and invoice amount submitted. Check these against the monthly financial reports received from the parish. It is much easier to do this checking on a regular basis than it is to try to find a problem at year-end. Experience will teach what information the library is likely to need access to from the internal set of books. This will enable the director to determine how to keep these records and to decide if the library can quit keeping some of the duplicate information.

## **CONSOLIDATED CASH ACCOUNT VS. LIBRARY MAINTENANCE FUND**

Dedicated library funds must be accounted for separately from other funds. Often, a library has a dedicated library maintenance fund account at a bank, with checks, statements, and investments managed separately from other parish monies.

The trend among parish governments is to consolidate accounts for all parish agencies which are administered by the parish into one large bank account. Records for individual agencies are accounted for separately in the books of the parish. However, the funds are intermingled in the bank account and investments. The Fiscal Manual (section 720, page 1) recommends that a governmental unit pool its cash into one account to improve cash management and to provide for a greater return on investments. One disadvantage to this method is that checks cut for a library no longer show the library as payer. One check for telephone service or utilities may be cut to the vendor as payment of invoices for all parish agencies.

Librarians and boards have expressed concern about this practice, fearing that the library will somehow lose its funds to another parish agency. The library director must keep track of library money by monitoring and reviewing the library's investments and financial statements. An audit should catch any improprieties. The Attorney General's office and the Legislative Auditor's office can be asked for specific opinions as to questionable fund usage practices by a parish government.

## **INSURANCE FOR LIBRARIES**

Insurance is protection. Insurance is purchased to guard against loss, liability, negligence, and oversight. There is scarcely an area of human activity, endeavor, or interaction that cannot be covered by insurance. A library requires contractors and architects to hold insurance when working on library construction projects and often requires other service providers to obtain liability, performance, and worker's compensation coverage.

The range of insurance available today has expanded to meet the needs of a litigious society. As the danger of liability has risen, the industry has expanded to meet the need, fill the void, or, depending upon your viewpoint, create the demand. There are various types of insurance needed by a library. As the chief administrator, the library director must advise the board on the need for, and cost of, coverage.

Libraries have traditionally been considered good customers and have been treated as a preferred class by the insurance industry. The true bottom line on many insurance coverages is, of course, how much can be afforded by the library's budget.

Some library systems are included in the insurance plan of the governing authority. Other libraries have separate insurance coverage. The director will need to determine the maximum coverage that can be procured and work with the parties involved to acquire this coverage. Listed below are some ideas and pieces of information for the director looking into the library's insurance.

1. The first step for a director investigating insurance is to ascertain how the library is covered: what policies exist, what is the coverage, and what is the cost. The "risk management" or other insurance specialist at the parish level is generally a good person to contact when investigating insurance coverage.
2. Before insurance can be purchased or upgraded, the value of the items being insured must be determined. The general fixed assets list, building construction cost, vehicle value, and book collection value are all items needed when insuring property and liability. The inventory of physical assets must be brought up-to-date before considering insurance.
3. A library is a public building. The risk of the library's liability due to personal injury or



loss of property must be assessed. Policies enacted by the library board and decisions made by administrative staff could potentially cause liability problems for a library.

It is at this point that risk management can help. Determine which of the library's risks can be eliminated, reduced, or transferred, which losses should be insured against, and which losses can be assumed or self-insured. For example, a library's budget might be able to withstand a potential \$5,000 property loss risk (deductible) each year, assuming this risk might reduce premiums over the long-term.

### **Types of Coverage**

Insurance is complex, and the vocabulary can be as esoteric as the vocabulary of any specialized field. Some areas of possible coverage are briefly discussed below. The best advice is to know the library's needs and discuss coverage with the library's insurance agents.

Blanket policies cover more than one piece of property and/or property contents, in a single amount or limit. For example, a blanket policy might cover the physical plant and contents of all library branches.

Special endorsements to policies are available that modify the standard policy coverage. These endorsements might include large deductibles, replacement cost coverage, contingent liability (if the building does not meet code requirements), and special pricing (which covers special, irreplaceable collections).

### **Buildings and Contents**

Blanket property coverage on a parish-owned library building will be an expense of the library. Because the title to library buildings resides with the governing authority, the governing authority may carry insurance on the building. Usually, the cost is charged back to the library budget by the governing authority. The library may want supplemental coverage if the insurance carried by the parish is not deemed sufficient.

Plate glass requires specific coverage by endorsement if it is to be insured against breakage by accident or vandalism. Steam boiler explosion must be specifically covered.

Blanket contents coverage refers to furniture, books, equipment, and other items owned by the library. The general fixed assets list and valuation of the book collection are used for determining coverage required.

A special type of contents coverage for valuable papers and books is classified as inland marine coverage. A library may want to investigate securing this type of coverage for rare books and manuscripts, special collections, fine arts, and bookmobile contents.

Burglary and theft are not covered in blanket policy packages unless by specific endorsement. Unless a library has an extreme problem with break-ins, this kind of endorsement is usually not cost effective.

Money and securities must be insured separate from other property. However, if the library can control how much money is left in the building and is making daily deposits of fine and photocopy monies, this type of coverage may not be needed.

### **Miscellaneous Property**

Bailer liability is often secured for personal property of others, such as items on exhibit. This coverage may be a separate policy or covered under a blanket policy by endorsement. A transportation floater covers property at outside locations, as well as property in transit.

## **Liability Insurance**

General liability, or comprehensive public liability, protects the library from injuries to the public on library property. Umbrella, or excessive, liability coverage is sometimes secured to protect the library in case of a major liability claim. Umbrella coverage is generally a separate policy and is written in multiples of \$1,000,000.

## **Vehicles**

Vehicle coverage, including comprehensive, collision, and liability policies, are available for bookmobiles, vans, and library automobiles driven by staff. Many libraries are self-insured for the loss of a van or automobile.

## **Performance Bonds**

Performance bonds, also called surety or fidelity bonds, are guarantees of "faithful performance" in financial matters by the bonded individual. Often, a surety bond is taken out on the library director. Sometimes, a blanket bond which covers all employees is secured.

## **Other Liability**

The liability insurance of Directors-Officers-Trustees is sometimes secured to protect the individual decision-makers of non-profit organizations. This type of coverage is also called Public Officials' Liability, Errors and Omissions, or Malpractice insurance. The American Library Association offers such a policy to libraries.

## **Unemployment Compensation**

Unemployment compensation is mandatory insurance coverage. This insurance fund compensates former employees who have lost their jobs through no fault of their own. There are several methods of handling unemployment insurance in Louisiana.

1. Louisiana unemployment insurance fund: the library pays a quarterly premium based on the library's taxable payroll. The rate is determined by the

- state and is based on the library's unemployment experience.
2. Self-insurance: the library sets aside a separate percentage of its payroll in a fund to meet future claims. The fund is used to reimburse the State of Louisiana for claims against the library.
  3. Reimbursement: the library does not have separate unemployment insurance nor a separate self-insurance fund for unemployment claims. Rather, the library reimburses the State of Louisiana for claims against the library.

### **Workers' Compensation**

Workers' compensation is a mandatory policy to aid employees who have been injured on the job. Rates are set by class of employee (e.g., clerical, administrative) and applied against the library's anticipated payroll. Workers' compensation is audited at the end of each year. The library may receive a credit for overpayment or a supplemental invoice, depending on how the actual payroll matched with the anticipated payroll upon which premiums were based.

### **Group Insurance**

A library may offer group insurance coverage to its employees for health, life, and dental coverages. Plans for the employee, as well as for family members, may be offered. Stipulations concerning eligibility (such as, employees must be non-temporary and work over 28 hours a week) can be made by the library, as long as these are uniformly applied and do not discriminate.

Determine insurance costs and coverages for employee health insurance plans (group insurance). Determine what percentage of the coverage is paid by employee and what percentage is paid by the library. State Attorney General opinion 90-106 says that a parish government may pay 100% of the insurance premium cost for employee health and accident insurance.

It is, however, illegal for a library to give bonus payments to employees who do not participate in the group insurance plan. It is also illegal for employers to give employees direct cash payments to defray the cost of health insurance. This is discussed in Attorney

General opinion 90-558.

The Consolidated Omnibus Budget Reconciliation Act of 1985 or COBRA (<http://gatekeeper.dol.gov/dol/pwba/public/pubs/COBRA/cobra95.htm>) gives eligible former employees the right to continue their group insurance coverage for a certain period of time, as specified by the act. The library's group insurance policy should address COBRA participation.

Attorney General opinions 95-152, 94-448, 92-547, and 91-490 affirm that it is legal for a public agency to use public funds for paying insurance premiums of its retired employees. At the least, a library should have a policy regarding the participation of retired employees in the group insurance.

### **Medicare**

Medicare ( <http://www.hcfa.gov/> ) coverage is required for all employees hired by the library after March 31, 1986. This is a matching payroll deduction. Libraries belonging to Parochial Employees Retirement System (5420 Corporate Blvd., Baton Rouge, LA 70808, 225 928-1361) in lieu of participating in Social Security do have to include their employees hired after March 31, 1986, in the Medicare system. As of July 1, 1991, these same libraries which have full and part-time employees not eligible for participation in Parochial Employees Retirement System must participate in the Social Security system for those employees. This includes both the FICA and the Medicare contributions as paid by both employee and employer.

Insurance is highly individualized and should be tailored to each library's needs. The practical constraints of the budget will determine how much of the necessary insurance can be obtained. The library director and the board must carefully consider the needs of the library against the potential risks when determining insurance coverage.

### **Sources - Insurance**

Myers, Gerald E. Insurance Manual for Libraries. Chicago: ALA, 1977.

## THE AUDIT

The fiscal cycle of a library starts with budget planning and continues with budget monitoring and spending. The cycle concludes with an annual financial report on operations and the audit. The Legislative Auditor's Office is the state agency to which these items are submitted.

The annual financial report is required of all parish agencies under L.R.S. 24:514. A library may submit its report directly to the Legislative Auditor or may be included as part of the parish governing authority report. If the library reports with the parish, the library director should advise the Legislative Auditor in writing. The report can be submitted in any format which complies with generally accepted accounting principles. The Legislative Auditor provides a packet of forms which can be used to submit the report. Additional details can be found in the Fiscal Manual or by contacting the Legislative Auditor. The report is due within ninety days after the close of the fiscal year. However, if the library has engaged an independent public accountant to audit the financial statements, the report is not required.

The audit is a periodic review or check of a public agency with respect to the services provided with taxpayer dollars. The audit must be performed by an independent certified public accountant, licensed to practice in Louisiana. The Legislative Auditor's office focuses on oversight of local governmental audits performed by private CPAs and investigative audits, rather than actually performing audits for local governments. Under state law, all parish agencies must be audited at least biennially, with the audit covering both years. Some parishes have annual audits by choice. A library may be a part of the governing authority's audit or may contract for its own audit. Usually if the administration of library funds is handled by the library (as provided under L.R.S. 25:215), the library will contract its own audit. Refer to Audit Requirements for Louisiana Local Governments (available from Office of Legislative Auditor, P.O. Box 94397, Baton Rouge, LA 70804-9397 225 339-3800 [www.la.state.la.us](http://www.la.state.la.us)) and L.R.S. 24:511 et seq. for additional details about the audit and the Legislative Auditor's office.

### Handling an Audit

Whether the auditor is engaged by the parish or the library, the auditor will visit the library. The librarian must assist during the audit and comply with the requests of the auditor for information, invoices, etc. in a timely fashion. There are penalties, under state law, for noncompliance with an auditor's request. A librarian who has followed the steps outlined in

this handbook for preparing the budget and managing public funds should be well prepared for the audit.

The auditor will review budget compliance, including receiving and expending funds within budgeted amounts. The auditor will check compliance with federal, state, and local laws, such as compliance with the public bid law. The auditor checks to see that appropriate library board action occurred concerning raises, paid leave policies, and other items which affect the finances of the library. Finally, the auditor will review the library's internal controls for managing public funds.

The auditor will usually schedule an appointment with the library director. The visit could take several hours, days, or weeks, depending on the scope of the audit, and whether the official financial and personnel records are kept at the parish or at the library. The librarian should plan to provide the auditor workspace and plan to be available to the auditor to provide information and answer questions. Below are items which an auditor is likely to address while at the library; some items are also required as part of the annual financial report.

1. An auditor will examine minutes of the board meetings, checking for policies which affect finances (leave policies, fines policies), raises which were approved, approval of library-paid travel, and budget approval. Make sure the minutes book is up to date. (Make sure the minutes reflect all board action on setting salaries and raises.)
2. The auditor may ask to see the library's policy manual. (At a minimum, have gathered any policies which directly or indirectly concern monies.)
3. The auditor will ask to see employee work records (time cards, time sheets) and leave records. Depending on the size of the staff, the auditor will examine all records (small staffs) or will examine a random sample (larger staffs). Be sure that all leave paid to terminated employees is documented and is in accord with board or parish policy. The auditor will question any non-salary check paid to an employee and any paycheck which differs from the employee's approved salary.
4. Have copies of all contracts entered into by the library and all grants received by the library available for the auditor. Grant funds will also be a part of the

audit.

5. The auditor will question revenues which seem out of line with both the current year budget and the previous year's receipts, or vice-versa. For example, an auditor might question why fines collected in 1991 increased 20% over the previous year. This might be explained due to a board-approved policy in mid-1991 raising fines from 24 a day to 54 a day or due to a two month "no-fines" period while changing to an automated circulation system. The auditor is questioning, not accusing. This is part of the auditor's job. Remember, although the auditor is looking for anything out of the ordinary, most circumstances can be easily explained by the librarian. Likewise, the auditor will question expenditures which are not in line with the current year budget and the previous year's expenditures. For example, a library may have increased 50% spending in utilities due to opening two regional branches in 1991 and only spent 40% of the bookmobile gasoline budget because of a problem which kept the bookmobile off the road for six months. The auditor cannot tell this from looking at the financial report; the librarian (or library business manager) must be able to answer these questions. Some librarians prepare, for both the board and the auditor, a year-end line item explanation of revenues and expenditures in relation to the budgeted amounts.

A library which is responsible for its own fund administration (under L.R.S. 25:215) will likely be questioned in detail about its handling of revenues and expenditures: timely deposits, investments, fiscal agent, type of fund accounting, and disbursement procedures.

Other items which are part of the audit include changes in fixed assets for the year, pending litigation involving the library, and any other claims against the library.



## **FIXED ASSETS**

Fixed assets are assets of a long-term character which the library intends to continue to hold and use, such as land, buildings, improvements other than buildings, machinery, and equipment. General fixed assets (GFA) are "fixed assets used in operations accounted for in governmental funds."

### **State Law and Recordkeeping**

L.R.S. 24:515(B) mandates each library to keep a record of all GFAs for which the library is accountable. Information such as date of acquisition, initial cost, and disposition (if any, along with the purpose of the disposition and the recipient of the disposed goods) must be kept in the records. Fixed asset records are generally examined by the auditor during the library's audit.

Libraries have been maintaining GFA records since 1980. New items are added annually, while other items are removed. A "running total" of the value of the library's fixed assets is thus maintained.

Items placed in a library's GFA inventory generally have a minimum value in the \$250-\$750 range and have a long-term life. Equipment items are labeled with a non-removable property tag which contains the library's name and an inventory or tag number. Libraries may use property tags which bear the name of the parish rather than the library. The tag number is recorded in the GFA records for ease of identifying a specific piece of equipment.

Small items under \$250, such as calculators, are generally considered "office supplies" rather than as part of the fixed assets of a library. A library can account for such items by either tagging these items and assessing a \$0 value to the items in the GFA records, or by simply recording these items as supplies with no GFA recordings. Some libraries use non-numbered tags to simply "property stamp" such items.

## **Books and Other Library Materials**

Library books and possibly other library materials are part of the GFAs of Louisiana's public libraries. Public library books are considered tangible assets with a life, generally, greater than one year. Even though the cost of an individual book may be under \$250, books, as a group, represent a significant value to the library. Other material collections, such as periodicals in paper format, bound periodicals, microfiche, microfilm, paperbacks, videocassettes, recordings and audiocassettes, art prints, filmstrips, or software, could be considered as a part of the library's fixed assets. A library should consider the following when deciding if a specific collection is part of the library's fixed assets:

- 1.the collection is held for the long term and individual items generally have a long life span;
- 2.the collection represents a significant value in reference to the library's total holdings; or
- 3.the collection is of a "reference" nature.

In practice, collections established as fixed assets will vary by library. For example, a library with a small video collection might exclude these items from the fixed assets policy; a library with over 1,000 videocassettes would likely include this collection in the fixed assets policy. A library might exclude unbound issues of periodicals or periodicals kept less than 5 years from the fixed assets policy, but would include bound issues and periodicals on microfiche, since the latter are used for reference, held indefinitely, and represent a significant investment of library funds.

Several methods exist for assessing the value of the book collection for fixed assets purposes. Some libraries use a moving average for each collection for additions and deletions. Other libraries have recorded the actual cost of each item added to the book collection, using this value should the item be discarded. Some libraries establish separate valuations for their reference book collection and paperback collection. The State Library can assist a library director with determining the value of the book collection for fixed asset accounting.

## **Inventory**

A library should periodically inventory its fixed assets. Some libraries do a partial inventory each year, rotating what is done, so that a complete inventory is accomplished over two to three years. Other libraries do a complete inventory of fixed assets annually or biennially.

An annual or biennial inventory of library books is generally impractical in most libraries. Books differ from other fixed assets due to their quantity and their mobility. The shelf-list is generally considered the fixed assets record of the book collection. A library should periodically sample the shelf-list or card catalog to test its accuracy. Libraries which have automated the circulation function may find that the inventory process is greatly facilitated.

## **Disposal of Assets**

Generally, there are few ways a library can legally dispose of obsolete property. First, items must be declared surplus by formal resolution of either the library board or the governing authority. Items can then be offered for sale to the public via public auction or by advertising for bids on the items. Items are sold to the highest bidder. Items cannot be given to an individual, staff member, or board member.

Items can be transferred to another department within the parish or municipality, or donated to another governmental entity (such as a library in another parish) as a transaction between governmental entities.

Library books which are outdated, damaged, or simply no longer needed in the collection should be officially declared surplus and then recycled or discarded. The following are valid methods of disposing of surplus library books. (Methods one through four may require the concerned parties to enter into a cooperative endeavor agreement.)

1. Hold a book sale. The book sale is akin to a public auction. The books could be given to a Friends of the Library group for sale provided the Friends give back the proceeds of the sale either directly or indirectly (in the form of equipment or new books). This is definitely considered a cooperative endeavor and should be formalized with a contract, or a cooperative endeavor agreement. This agreement should be between the board, director, and/or governing authority and the Friends group.

2. Give the books to another library.
3. Give the books to the jail, recreation center, or other parish or municipal agency.
4. Give the books to a non-profit agency, such as a battered woman's shelter.  
Giving the discarded books to a quasi-public or non-profit agency which receives some public funding or grants should be legal.
5. Throw away the books.

### **General Fixed Assets Policy**

Each library should have a general fixed assets policy established by the library board. A library may choose to follow the GFA policy of the parish; if so, the board should reflect this in their minutes. The GFA policy should address the following:

1. define general fixed assets and establish a minimum dollar value for GFA;
2. define GFA in relation to the library's book collection, listing which collections are included and which collections are not included, along with a justification for excluding the collections;
3. description of the record-keeping process for each of the GFA groupings (land, buildings, equipment, book collections);
4. description of property tags and what items will be tagged;
5. inventory procedures and frequency of inventory; and
6. procedures for disposition of assets.

A library should periodically review its GFA policy, making revisions when necessary. For example, a library may have established \$250 as the minimum value of a GFA in 1990. The library may choose to update this in 1999 to an amount in the recommended range of

\$500-\$1000 and remove from the GFA all items under the new minimum value.

## RECORD RETENTION

Libraries generate numerous reports, documents, and other records each year. These records provide a director, the board, and the public with historical information about the library's finances or usage by the public. Each public library should establish a record retention schedule and have it approved by the library board. The Secretary of State, Division of Archives, Records Management, and History (P.O. Box 94125, Baton Rouge, LA 70804-9125, 225 922-1200) can assist in setting up a record retention schedule. The Division will provide an "agency worksheet", which should be filled out by the library and sent back to the Division. Division personnel will then use this information to set up a record retention schedule for the library.

These guidelines are useful when establishing record retention policies:

1. State law requires keeping records a minimum of three years if a formal retention schedule has not been developed and approved for the agency by the State Archives.
2. Records relating to IRS matters (such as W-2 forms, payroll, tax-exempt information) must be kept a minimum of four years. However, records of this nature which fall under the purview of the Louisiana Department of Revenue and Taxation must be retained a minimum of six years, as per L.R.S. 44:36(B).
3. Annual budgets, year-end financial reports, audit reports, statistical reports, and records relating to building construction are among those a library may wish to keep indefinitely.
4. Records are often kept in a variety of formats (e.g., electronic, printed, microfiche). A library may elect to keep only a printed copy or a microfiche copy. The format chosen for permanent retention must be in accordance with L.R.S. 44:39.
5. Some library records are also kept by the governing authority (e.g., audit report, budget). If the governing authority keeps such records indefinitely and storage space in the library is at a premium, the library might choose to retain only the past three years' records in-house.

## **FISCAL EMANCIPATION**

A library may seek fiscal emancipation, that is the assumption of all responsibility for its accounting, payroll, investments, and audit, for a number of good reasons. Many small library systems have done their own bookkeeping and check writing since their creation with the effort being duplicated at the police jury office or parish council. Other libraries have experienced examples of shoddy record keeping or unclear accounting or even difficulties in obtaining their fair share of state revenue sharing funds. In times of tight money, the local government may discontinue offering accounting services free of charge, and, considering the library a separate entity, can legally impose a fee (L.R.S. 32:1236(35)(a)). All of the above may result in a significant financial loss of dedicated library funds.

However, fiscal emancipation should not be entered into casually. If the bookkeeping and auditing are contracted out, a middle-sized library may face fees of \$15,000 a year. With good software and a personal computer system, many libraries could handle their own payrolls and bill paying with minimal expense, but the library bookkeeper must also be aware of quarterly payment to the IRS, the retirement system, and Worker's Compensation, as well as the laws governing employees, wages, and insurance. As of 1995, 12 libraries under L.R.S. 25:215 have received legislative authority to administer and handle the accounting functions for all their library funds. Some library systems purchase materials on their own, manage their funds, and basically control their budget even though fiscal independence has not been granted; other libraries were established as fiscally independent. Obviously, libraries are capable of doing the task and see an advantage to it.

The road to fiscal emancipation may be easy or labyrinthine depending upon the library's relationship with local politicians and the governing body. The first step is, of course, to reach a consensus of the library director and board to seek financial separation from the parish. This must be put in the form of a motion and entered into the minutes of the Library Board.

Step two of the process is to secure a formal resolution from the governing body allowing the library to seek the necessary legislative authorization. It is strongly recommended that Board members should contact their respective representatives in parish government and let them know that the Board is going to request their help in fiscal emancipation. Also, each member of the governing body should be asked to vote in support of the resolution and to pass a motion reflecting their support. Phone calls or letters from Friends of the

Library may also help in this regard.

The next step is to contact a state legislator to amend L.R.S. 25:215. Again, trustees and library advocates should contact state legislators and request their support, sponsorship or co-sponsorship to amend the law as in the following example:

"The administration of and accounting function for the funds of the \_\_\_\_\_ Parish Library are hereby transferred from the \_\_\_\_\_ Parish Police Jury (Parish Council) to the \_\_\_\_\_ Parish Library Board of Control, effective \_\_\_\_\_ (date)."

In warning, if the parish government rejects the library's emancipation, it is unlikely that a state legislator will sponsor your bill or see it through the legislative process though this may be attempted again with letters and phone calls to the politicians.

Assuming that a sponsor for the amendment is obtained, an advertisement of intent to introduce the bill in the legislature must be published. The sponsor will then see the amendment through the legislature. It will become law 30 days after the close of the session. The transition will be easier if the transfer occurs at the end of the fiscal year.

Once the legislation is passed, it will be necessary to decide who will be doing the actual accounting -- a hired CPA, a library bookkeeper, the Director. If a CPA is hired, another accounting firm will have to be hired to do the annual audit to avoid conflict of interest. The library will also have to obtain a Federal Identification number from the Internal Revenue Service and make sure that all appropriate personnel, including the board and director, are bonded since they will be handling public money.

It may be necessary to advertise for a Fiscal Agent, that is, a bank which will offer the best rates for services and investments, or it may be possible to use the one already approved by the parish government. State Library advisors can assist with the wording of legal notices when advertising is required. A parish with a population under 100,000 is generally exempt from using the bid process to choose a fiscal agent.

The library will now be responsible for publishing its own minutes, budget, and notice of public budget hearings. An auditor may be hired for an annual audit. The Parochial Employees Retirement System, IRS, Louisiana Department of Revenue and Taxation, Louisiana Department of Labor, and the Social Security System as well as the



Unemployment Compensation and Worker's Compensation official system must be notified of the shift of fiscal responsibility. Each entity will supply the library with the necessary paperwork and quarterly report forms. An account at a local bank must be established to hold tax withholding funds. Most importantly, the local sheriff or tax collector must be informed that tax revenues must be sent directly to the library for deposit.

The library will also find itself responsible for its own bonds and investments. It will have to seek insurance policies for both buildings and possible health insurance as well.

Expect the first year of fiscal emancipation to be difficult and confusing. Expect the rewards to the library to be many, such as obtaining better and lower insurance rates, more funds to run the library, and a much better knowledge of the library's financial health.

This explanation is based on a new interpretation of L.R.S. 47:1705(B) by the State Office of the Legislative Auditor, 1994.

The former mechanism for securing state money for public library materials is known as "state aid".

available from Office of Legislative Auditor, P.O. Box 94397, Baton Rouge, LA 70804-9397 (504)339-3800.

available from Office of Legislative Auditor, State of Louisiana, P.O. Box 94397, Baton Rouge, LA 70804-9397 (504)339-3800.

Governmental accounting, auditing, and financial reporting. Municipal Finance Officers Association of the United States and Canada, c1 Appendix B.

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