

**AGENDA ITEM:** Library of California Budget

**ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:**

1. Consider a 2001/02 budget allocation model for Regional Library Networks.
2. Consider Regional Library Network expenditure categories for 2001/02.
3. Consider allocating the 2001/02 LoC baseline budget between statewide and regional library network services.
4. Consider allocating remaining 2000/01 funds to statewide services.

**RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:** I move that the Library of California Board adopt allocation model 8 from Exhibit A of this report as the allocation model for Regional Library Networks for the 2001/02 fiscal year.

**RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:** I move that the Library of California Board authorizes that funds allocated to the Regional Library networks be limited to expenditures in the following service categories:

- Reference and Information Services (Sect. 18846)
- Delivery (Sect. 18842(c))
- Training (Sect. 18845)
- Administration including development and support of the network council (Sect. 18841)
- Public Relations (Sect. 18847)
- Telecommunications and online access (Sect. 18842 (a), (b), (d))

**RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:** I move that the Library of California Board make an interim allocation its 2001/02 baseline budget according to the following categories:

- \$ 675,140 for statewide services
- \$3,312,860 for Regional Library Network services

**RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:** I move that the Library of California Board approve the expenditure of remaining 2000/01 funds to statewide services with the following priority for funding:

1. Renew subscriptions for statewide services
2. Provide funding to support statewide full-text database negotiations.

**ISSUES 1-3:** Consider 2001/02 Regional Library Network budget allocation models, service categories for expenditure, and baseline budgets for statewide and regional library network services.

**BACKGROUND:**

Library of California (LoC) Regulations requires that regional library networks file their plans of service by April 1. Due to uncertainties related to the FY 2001/02 budget, at its February 2001 meeting, the LoC Board reviewed various budget models and advised regional networks to develop their 2001/02 Plans of Service using an equal allocation target of \$468,671. This advice followed discussion between the Board and representatives of the Regional Library Networks and members of the library community. It is understood that the amount recommended be for planning purposes only and that funding at that level would enable only partial implementation of the Library of California Act and Regional Library Network mandated services. This advice from the Board:

- Kept the Board and the regional networks in compliance with the Act.
- Enabled regional networks to have a budget target (developed from a known funding level) from which they could develop Plans of Service.
- Facilitated discussion on budget allocation alternatives.
- Provided for a preliminary allocation of funds between statewide and regional library network service programs.
- Identified preliminary models for allocating funds for regional network services among the seven regional library networks.
- Identified a process for developing an allocation plan for the LoC budget for FY 2001/02.
- Gained time so staff could work with the Department of Finance to determine whether a \$3.2 million augmentation in the Governor's budget for FY 2001/02 could be partially allocated to regional network services.

In the 2001/02 fiscal year, there is no opportunity to carry over earlier funds. The program enters the 2001/02 fiscal year with all program elements requiring funding consideration. Staff continues to recommend that priorities be set to ensure continuation of needed programs and services, since all current programs and services combined are likely to exceed the annual LoC budget, even with the \$3.2 million augmentation in the Governor's proposed budget.

At the statewide level LoC programs include the following:

- Loan compensation
- Librarians' Index to the Internet
- LoC Periodicals/Serials Database

- Z39.50 Server Software Grants
- Licensed Databases

At the regional level LoC programs include the following:

- Reference and information services
- Delivery
- Training
- Administration including development and support of the network council and board
- Public relations
- Telecommunications and online access

The following table identifies the available funding and anticipated statewide commitments. For the purposes of discussion the cost of approved statewide programs that have recurring costs are identified. Continuation of these programs is at the discretion of the Board.

Table 1  
**LIBRARY OF CALIFORNIA BUDGET 2001/02**  
 January 29, 2001

<b>Local Assistance</b>	
Continuing	\$3,988,000
New	<u>\$3,200,000</u> *Loan program restricted
	\$7,188,000
<b>Allocation of Continuing Funding</b>	
<b>Statewide Programs</b>	
Librarians' Index to the Internet*	\$280,335
LoC Serials/Periodicals DB - GRC*	\$329,300
LoC Serials/Periodicals DB - CDL*	<u>\$65,505</u>
	\$675,140
Z39.50 Grants not included pending Board approval	
Available Balance	\$3,312,860
<b>Allocation of New Funding</b>	\$3,200,000
Loan Compensation	\$2,000,000
Regional Network Loan Support*	\$1,200,000
*Telecommunications/Delivery/Electronic Loan Pilot	

## *Allocation of Regional Network Funds*

Staff recommends that the Board continue funding regional library network services and proposes adoption of a funding formula that addresses differences in member and participating libraries among regional library networks. The LoC Act states:

18862. (a) During the first three years of operation, each regional library network shall receive a basic funding allocation for service delivery as it establishes services and expands its membership.

(b) After its three-year establishment period, each regional library network shall receive an appropriation that contains a base component that is a uniform statewide minimum allocation, a component related to demographic variables including population, geography, population demographics and cost of living, and a component related to the amount of service delivered in the preceding fiscal year.

It is assumed in this report that the first year of operation for the regional library networks started January 1, 2001 when they formally came into existence. Although the Act calls for a “basic funding allocation” there is no further definition. It does not state that “basic” is the same as equal. Therefore, the Board may consider different allocation models, but those models do not necessarily have to include all of the elements to be considered under section (b). It is also possible for the Board to adopt different allocation models in subsequent years of the establishment period, as this period is to be used for testing optimal allocation models. Staff recommends that the Board use a simple model pending the addition of more members and participating libraries into the Regional Library Networks and the development of better data regarding program costs and service levels.

The allocation models for Board consideration include the following variables:

- Allocation of funds by an equal lump sum either by dividing the entire amount equally among regional library networks or by allocating an equal, but smaller, amount as a baseline budget.
- Allocation of funds by regional library network members.
- Allocation of funds by regional library network participating libraries (e.g., branches or outlets).
- Allocation of funds by regional library network service area population.
- Allocation of funds by a geographical factor (square miles) to address increased costs anticipated from greater distance between delivery and telecommunications points.
- Some combination of the above, perhaps a base amount for each network, plus an allocation by percentage of one or more of the other variables.

Exhibit A demonstrates how some of these various formula options would play out, using a balance of \$3,312,860 and a base amount of \$200,000 per network for demonstration purposes only. Exhibit B is a model proposed by the President of the

Arroyo Seco Library Network. This model is more complex, because it assigns a percentage value to each of its three variables, plus an equal base allocation.

Staff recommends against the following:

- An equal allocation made by dividing the entire budget among the seven networks. This model does not address significant differences between the networks.
- An allocation with a significant weighting based on geography, and in particular square mileage. It is assumed that delivery and telecommunications costs are higher in a large geographic area because of the distance between sites. However, there are factors that mitigate this argument:
  1. The assumption is based on vehicle delivery and not on alternative methods such as parcel post or UPS.
  2. The number of items delivered may be significantly higher in urban areas. This increases the time and money spent loading and unloading or packing and unpacking materials.
  3. Where UPS or parcel post ships items, weight is as much of a variable as is distance. Urban regions may end up having to pay more because they share more materials, which translates in to more or heavier shipments.
  4. Square miles may not accurately reflect the actual distance between delivery points in the network; highly urban areas have significant traffic congestion which extends the amount of time needed to deliver materials between libraries that are relatively close in miles.
  5. Internet-based telecommunications are less distance sensitive because of their packet-switched protocols. Most libraries, even in rural areas, are able to connect to local Internet Points of Presence, thereby avoiding long-distance costs. It is noted that their cost of connecting may still be higher as a percentage of their local budgets.
  6. Networks are free to allocate funds among service programs. Given that the networks with the largest areas have smaller service populations when compared to smaller, but more urban networks, it may be assumed that increased delivery and distance-impacted telecommunications costs will be offset by significantly increased demands for reference and training services and many more telecommunications program participants.

Staff will study actual delivery and telecommunications costs over the next three years before recommending a true geographic variable.

- An allocation with a significant weighting based on population. While population may be a better indicator of potential network size, LoC services are directed toward member and participating libraries.

Staff recommends the following:

- An equal baseline allocation for each regional network. The number used in the models in Exhibits A and B is \$200,000. This amount was proposed for discussion purposes only and could be increased or decreased. Clearly, the higher the baseline the less impact the variables will have. The lack of discussion relative to the baseline issue following the February Board meeting indicates to staff that the networks support a baseline approach and that \$200,000 is a reasonable amount at this time.
- That membership and participating library numbers be used as the primary criteria for allocating the balance of available funding. Both factors reflect different characteristics:
  1. Membership is critical for such issues as delivery, since it assumed that network services provide delivery among members and that members provide delivery services to their participating libraries.
  2. Membership also affects telecommunications services since it is normally the member library that will connect to resources such as a regional gateway server. More members translate into a more complex access and loan configuration.
  3. Membership affects administrative costs due to a larger number of libraries to be included on the council and to receive administrative communications and other services.
  4. Participating libraries indicate the number of staff that may participate in training services and the number of patrons that may request reference services and that need to be included in public relations planning.
  5. Participating libraries are also points of service at which online services are delivered and such service points must be factored in to contract negotiations.

Based on guidelines established at the February 2001 Board meeting, staff has refined its proposed budget and allocation models. Should the Board so authorize, differences between the planning model agreed to in February and a planning model adopted by the Board in April will then be incorporated into revised network Plans of Service, to be submitted for consideration at the June Board meeting.

*Budget Augmentation:*

The Budget includes “An augmentation of \$3.2 million to continue the implementation of the Library of California.” Staff was advised that the \$3.2 million be used for compensation to reimburse libraries to share their materials with other libraries. It is possible that, with the concurrence of the Department of Finance, some portion of these funds could be used to support other programs that directly relate to the loan program such as regional and statewide delivery and telecommunications access to, and support

of, regional ILL/gateway servers. Prior to allocating funds to any additional program, concurrence must be obtained from the Department of Finance. The documentation to support this request was developed at the time this report was drafted but result of the discussion is not known.

**ISSUE 4:** Consider allocating remaining 2000/01 funds to statewide services.

**BACKGROUND:**

At the November 2000 Board meeting, funding allocations were made to the Regional Library Networks. The Board also requested that each network provide a quarterly report based on their January-March 2001 expenditures, which also specified the amount of funds each network anticipated would remain unspent as of June 30, 2001. The Board asked for this report so that if allocated funds were to remain unspent, the Board could reallocate them at the April 2001 Board meeting. Reports from the Regional Library Networks are due back to the Board by April 13, which is after the deadline for mailing of the packet.

The staff has preliminarily reviewed options for expending any returned funds. Potential options might include:

- Reallocating them to regional library networks,
- Using them to renew subscriptions for statewide services, such as the Librarian's Index to the Internet and/or the LoC Periodicals/Serials Database,
- Using them to underwrite the costs of negotiating full-text database subscriptions statewide.

Staff will provide an analysis of funds remaining to be reallocated and will present recommendations for expenditure at the April Board meeting.

Relevant Committee: Committee of the Whole

Staff Liaisons: Mark Parker/Diana Paque

# Library of California

## Funding Activity

A	B	C	D	E	F	G
Funding Category/Funded Activity	Board Allocations FY 2000/01	Board Consideration April 2001 Meeting	Actual Expend. thru 4/10/01	Encumbrances	Actual + Estimated Expenditures	Funds Available 2000/01: \$3,988,000
Funds Available						<b>\$3,988,000</b>
<b>REGIONAL LIB. NETWORK DEVELOPMENT</b>						
Planning grants						
Operations	2,527,000		2,527,000		2,527,000	
<b>SUBTOTALS</b>	<b>2,527,000</b>		<b>2,527,000</b>		<b>2,527,000</b>	<b>1,461,000</b>
<b>STATEWIDE TELECOMM.</b>						
Z39.50 Grants (25@\$7500 ea)	187,500		135,000	15,000	150,000	
<b>SUBTOTALS</b>	<b>187,500</b>		<b>135,000</b>	<b>15,000</b>	<b>150,000</b>	<b>1,311,000</b>
<b>ONLINE DATABASES</b>						
LOC P/S DB (1999 & 2000)GRC						
CA Digital Library - host						
Librarians' Index to Internet	192,000		189,150		189,150	
Stwd. Coop. Licensing Support		300,000		300,000		
<b>SUBTOTALS</b>	<b>192,000</b>	<b>300,000</b>	<b>189,150</b>	<b>300,000</b>	<b>489,150</b>	<b>821,850</b>
<b>LOAN REIMBURSEMENTS</b>						
ILLpilot 7/2000-12/2000	800,000		295,470	504,530	800,000	
Direct Loan pilot						
<b>SUBTOTALS</b>	<b>800,000</b>		<b>295,470</b>	<b>504,530</b>	<b>800,000</b>	<b>21,850</b>
<b>TOTALS</b>	<b>3,706,500</b>	<b>300,000</b>	<b>3,146,620</b>	<b>819,530</b>	<b>3,966,150</b>	<b>21,850</b>
Funds Remaining After Actual and Estimated Expenditures thru 6/30/2001						<b>21,850</b>

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