Focus Group on Interlibrary Loan and Direct Loan Summary Report

prepared by
Joan Frye Williams
May 2000

****

ANNOTATED WITH COMMENTS FROM THE LIBRARY COMMUNITY

July 24, 2000

(libraries' comments are ***italicized in bold***)

I. The Meeting

On May 18, 2000, representatives from the seven Library of California Planning Regions participated in a focus group meeting in Sacramento, to discuss Library of California loan programs. Joan Frye Williams, Information Technology Consultant, was the discussion leader, and State Library staff were present to assist and to ask and answer questions as appropriate. A full list of focus group participants and the organizations they represent is attached at the end of this summary report.

The purpose of the meeting was to review options for compensating participation in Library of California interlibrary and direct loan programs and to recommend a policy direction for the Library of California Board. Focus group participants considered but did not limit their discussion to the compensation options outlined in the Himmel and Wilson report, *Supporting Interlibrary Loan and Direct Loan Services in California's Multitype Library Environment.*

This summary is intended to document the results of the focus group meeting. Audio tapes of the complete proceedings are also available for review.

II. The Process

The discussion was structured around the seven "Principles to be Considered in Developing a New Compensation Program" described in Himmel and Wilson's report. These principles and the meeting agenda are also attached at the end of this summary report.

To stimulate new ways of thinking about compensation for resource sharing, focus group participants were asked to evaluate and discuss the Himmel and Wilson principles, first from a user's point of view, then from an elected official's point of view, and finally from a librarian's point of view. They were asked to examine their current assumptions about interlibrary and direct loan policies and practices and encouraged to explore possible new directions for loan compensation.

The discussion leader would like to thank all participants for their candid, constructive, and thought-provoking comments.

III. The State of the State

In addition to specific comments about loan compensation strategies, the focus group participants made a number of important general points about the current state of resource sharing in California, and about how interlibrary and direct loan seem to be evolving:

California already has a more highly developed loan program than other states.

One of the most interesting findings of the Himmel and Wilson study is that no other state currently offers a statewide, multitype loan program that is superior to what is already in place in California. The task therefore is to refine the existing program and think creatively about new directions rather than to adopt another state's approach.

California is not the only state that has had problems securing increased funding to support increased loan activity.

In fact, every state surveyed seems to be struggling with this issue. This may of course be an indication of the state of the economy and of public spending patterns in recent years. We must also ask, however, whether cooperative loan programs as currently conceived by the library community simply do not compete well with other state-level funding proposals.

Awareness of—and support for—existing programs is too low.

Are library directors the only people who believe in resource sharing? There is presently no broad or vocal constituency for these programs outside the library community. We need to do a better job of demonstrating both the availability and the benefits of cooperative loan programs to users, to front line library staff, to local administrators and officials, and to legislators.

Though the mechanisms for resource sharing should be largely invisible to the user, perhaps we should make more of a point of crediting both the program itself and the lending library, e.g. "This material was provided to you courtesy of the AnyCity Library, Jane Doe, Mayor, as part of the Library of California's cooperative loan programs."

The divide between lending and borrowing libraries seems to be widening.

Resource sharing seems to work best when the cooperating partners are perceived as generally equal contributors and the distribution of funds is seen as fair and equitable. However, in today's uneven funding environment, heavy lenders may feel they are being asked to provide services that should have been handled by the borrower's primary library. At the same time, heavy borrowers who see state payments directed to their better funded neighbors feel that the state programs are simply making the rich richer. Both points of view have some validity, and all seem to agree that this gap has been increasing.

Consultant's note: In the public library segment, disparities in funding levels have indeed worsened since the loan programs' inception more than twenty years ago. County revenues in particular began to lag just after the California Library Services Act was enacted—with the passage of Proposition 13 in 1978 and AB 8 in 1979. The available county funding base was again dramatically degraded by the ERAF (Education Revenue Augmentation Fund) property tax shifts of 1991 and 1992. Essentially, city libraries have for many years had more potential funding sources to draw upon than county libraries. Without significant changes in overall state tax policy the gap between haves and have-nots will continue to widen.

One apparent symptom of this local funding gap is that cities have been withdrawing from county library systems and establishing independent city libraries—and becoming heavy net lenders in the process.

Improvements in lending efficiency will require improvements in both request management and materials delivery systems.

Focus group participants stressed the fact that loan programs are just one slice of the resource sharing process. Investment in infrastructure for connectivity, patron tracking (authentication), loan tracking, and document delivery activities must be made concurrently with the expansion of loan compensation programs. Furthermore, this investment needs to be made at the regional and statewide level, where these activities now occur.

Comment:

- ***In addition to transaction reimbursements, include changes in infrastructure in support for the unmediated interlibrary loan model (County #1).***

In fact, in an era of Z39.50 connectivity and widespread access to bibliographic data, delivery systems play a special role in shaping loan activity. Public libraries tend to borrow within a geographic region because they share ground-based delivery systems. UC and CSUC libraries tend to borrow first from their sister campuses because there are statewide delivery schemes that link them. The analogous business model (Amazon.com et al) uses FedEx, UPS or USPS delivery quite effectively, though none of these commercial delivery services is regional. The message seems to be that, as delivery goes, so goes resource sharing in general. Therefore, changes in delivery methods may have a significant future impact on cooperative loan programs.

Comments:

- ***Provide funding for enhanced delivery and interlibrary return systems among libraries and between libraries and public (County #1).***
- ***See also comments in next section.***

In an increasingly electronic environment, the distinction between direct loan and interlibrary loan is blurring.

The trend is now towards “extended circulation” systems, in which the electronic processes for tracking loans to an individual non-resident patron or to another library are essentially the same. Over time, direct loan and ILL seem to be converging. We're not there yet, but we seem to be moving in that direction.

The focus group envisioned a probable future in which desired materials are shipped directly to the patron and do not make an interim stop at another library. Is this direct loan or interlibrary loan? There was also some concern that this approach—and other steps towards "disintermediation"—might lead to misuse of the loan programs if adequate safeguards are not built in.

<u>Comments:</u>

- ***If significant changes are proposed to the current system of reimbursements, provide support for the third model, the unmediated library loan model, in order to take advantage of current technology (County #1).***
- ***The worry that librarians spend on "misuse" of loan programs and "disintermediation" would be better spent about library extinction, for lack of being useful. Direct delivery is exactly what patrons want, and the lack of it is what keeps Amazon.com in business. This would not need to be a free service. It could be available at a cost, but it would at least let people who are at work all day get some use out of their libraries. And it would greatly reduce the need for extended library open hours, which are hideously expensive (Academic #1).***

Focus group participants further noted that improvements in patron access to automated finding tools and request systems are saving work at the <u>requesting</u> library but do not result in substantial savings for the lending library.

IV. A New Consensus on Loan Compensation

Himmel and Wilson recommended that the Board expand the existing transaction-based reimbursements (TBR) program to include all types of libraries. The focus group consensus was to recommend a more creative approach to loan compensation, based on the following concepts:

<u>Comment:</u>

- ***I think this manner of reimbursement/compensation is a considerable improvement over that of expanding the existing program. It is more flexible for more kinds of libraries (Academic #1).***

Provide sign-up incentives for new participants.

- Users are best served when many libraries participate.
- Political support is also strongest when many libraries participate.
- Participation is more easily justified when there is an immediate benefit for joining the program.
- Libraries that do not have a long tradition of multitype resource sharing need encouragement—think “signing bonuses.”

Comments:

- ***Avoid funding proposed increased participation by additional libraries at the expense of existing participants (County #1).***
- ***I am not in favor of “signing bonuses” for libraries that are reluctant to participate in the LoC. If the LoC has to pay to get jurisdictions to sign up, then it is really in trouble (County #2).***
- ***Sign-up incentives should be very useful in attracting new library partners. This is a great idea. But the offerings have to be ones that are useful to other types of libraries than public libraries, and there needs to be a selection of offerings. For example, Rand California is not very useful to a hospital library. A public library database is not useful to a university library. An advanced physics database isn’t useful to a public library (Academic #1).***

Don’t limit compensation to cash payments.

- Compensation doesn’t have to come in the form of a check.
- Access to free or discounted databases, network services, training, etc. can be valuable incentives to participation—think “membership benefits.”
- Non-cash compensation may have particular appeal to special and academic libraries that have established coupon or fee-based systems for interlibrary loan; non-cash compensation could help to avoid conflict over “double dipping.”
- Compensation other than cash cannot be diverted for non-library purposes.

Comments:

- ***I would limit compensation to cash payments only. When you start throwing in other types of compensation to the mix, it will get very complicated and cause more problems, both at the state level and the local level. If a jurisdiction wants training or databases, let them use the cash compensation to pay for it County #2).***
- ***I’m concerned that the Focus Group is considering not reimbursing libraries for loans. We are a small library and plan to automate. We***

expect our TBR reimbursements to increase after automation and plan to use these funds to help defray the ongoing costs. It is important that the library is compensated with cash payments and not other compensation. Small, cash strapped libraries need cash (County #3).

- ***One of the more useful ways to compensate libraries for resource sharing would be to offer an option of paying or partially paying the library's ILL transportation costs (instead of sending out reimbursement checks) (Academic #1).***
- ***As a "top tier" institution with very little need to borrow from outside the public/private academic library sector in California, reimbursement is the only practical method for achieving a return for our efforts. The other tangible options or incentives listed in the report, e.g. access to free or discounted databases, network services, training, etc. are simply not likely to be of significant value to us (Academic #2).***
- ***I have concerns about not limiting compensation to cash payments. [Our System] employees are not interested nor our vendors in a barter system. They want cash for services and merchandise. I am concerned that compensation with services could weaken or eliminate cash payments that are essential for {our System's] ILL programs. If a library elects compensation via services or products, this could be a local decision, but I would want it structured in such a way as to not jeopardize cash payments (CLSA System).***

In a multitype environment, one size does not fit all.

- Compensation that is attractive to one library segment is not always attractive to other segments.
- There are enough different compensation schemes already in place in various library segments in California that it would be difficult to define a single approach that would not duplicate or conflict with existing programs.
- Consider allowing participants to choose from a range of participation incentives—think "cafeteria plan."

Comments:

- ***In any proposed compensation or reimbursement method, retain the option for libraries to receive compensation or reimbursement in a direct cash payment (County #1).***
- ***I don't like the idea of participation incentives. Once you start allowing jurisdictions to choose from a "cafeteria plan" you will have all sorts of issues and disputes arise with respect to fairness and duplication, etc (County #2).***
- ***There continues to be a problem among the public libraries when it comes to understanding that other library types are not exactly like them. The TBR example is just one. TBR money would never reach***

school libraries, for example, and would probably cause more problems that it would solve for special libraries. In the report, there is another example. It is suggested that libraries make people more aware of the program by using any acknowledgement thanking the mayor and the ANY CITY Library. Not exactly a multi-type example, is it? (Academic #1)

- ***See also comments by Academic #1 under "Provide sign-up incentives…" section.***

Provide baseline compensation annually.

- Compensate (cash or other compensation) all participants each year, perhaps using an approach similar to the way in which Statewide Data Base participants are now subsidized.
- Baseline compensation would cover the first n number of loans (10? 100?) and libraries that did not exceed that number would not have to file any further claims—think "standard deduction."
- Set the baseline low enough so that libraries are not paid for doing nothing.
- This approach decreases paperwork and lowers the threshold for participation by small libraries, particularly school libraries.

<u>Comments:</u>

- ***Avoid compensation methods that may pay participants for doing nothing. Participation presumes accountability. (County #1).***
- ***The baseline compensation ("standard deduction") plan is a bad idea. You should be paid cash for each transaction. If a jurisdiction provides no loans, it should not receive any compensation. This is almost like the incentive plan to join (County #2).***
- ***The baseline idea should be very appealing to those libraries that do not even have enough personnel to take full use of interlibrary loans. Direct, disintermediated loans would also help those libraries (Academic #1).***
- ***I support providing baseline compensation annually (CLSA System).***

For both programs, compensate all loans.

- Even though California has a long history with the net loan approach, we should recognize that all resource sharing activity has an impact on local operations, and that you can't pay staff with in-kind services.
- The net loan approach is increasingly hard to justify to local administrators.

- Libraries with budget constraints are more likely to participate wholeheartedly in loan programs and offer these services to their patrons if they can expect at least some compensation.
- The current net loan approach may exacerbate the divide between well funded and poorly funded libraries, and may even have the unintended effect of providing an incentive for city libraries to withdraw from county systems.
- It may be acceptable to compensate individual transactions at a lower rate (e.g. partial subsidy rather than full handling costs) if all loans are compensated.
- Compensation should continue to be based primarily on handling costs, but other metrics are not out of the question.
- Handling costs should be measured in efficient, automated libraries. There should be no incentive—as there seems to be in Oregon—for higher payments to libraries that do not operate efficiently.

Comments:

- ***Retain the current transaction-based cash reimbursement method, but provide compensation for all loans rather than for net loans (County #1).***
- ***Continue using handling costs as the basis for reimbursements (County #1).***
- ***Recognize the lower cost of direct loan reimbursements and the greater economic benefit of enhancing direct loan resource sharing over mediated interlibrary loan resource sharing (County #1).***
- ***I do agree that compensation should be paid for all loans and not on a net loan basis. I also agree that loans should be based primarily on handling costs. I would like to see what other "metrics" are proposed (County #2).***
- ***One BIG problem with the net loan approach (and potentially with this new suggested approach) is that it assumes that the library has the resources to LEND to the network for a year. Most small libraries do not have those resources. Compensation should be done more frequently, from the baseline funds. Then the end of year compensation could be based on net loans (Academic #1).***
- ***Basing handling costs on automated systems in use in big, public libraries is inherently unfair to small libraries like those in schools and hospitals. There should be different scales for different kinds of libraries (Academic #1).***
- ***We concur with the report that cooperative loan programs have not historically fared well in the competition for state-level funding. This works to the disadvantage of large net lender libraries…it means that the compensation provided does not come close to meeting actual cost per transaction. We have agreed to continue to support public libraries at the partial cost reimbursement but have not agreed to***

- ***extend the partial reimbursement to community colleges or the private sector (Academic #2).***
- ***I support compensating all loans, both interlibrary and direct (CLSA System).***

Recognize the efforts of "top tier" lenders.

- The more service a library delivers to non-residents, the greater the risk of compromising service to its primary clientele.
- The more services a library delivers to non-residents, the harder it is to justify participation in resource sharing programs to local administrators.
- Once loans to non-residents exceed n% (10%? 20%? some average based on activity levels statewide?) of a library's total circulation, it is reasonable to provide some additional form of compensation, in recognition of the local impact of resource sharing.
- Alternatively, it would be reasonable—though much more complex to administer—to calculate net loans and compensate them at a higher rate than loans that are offset by services received from other libraries.

<u>Comments:</u>

- ***Recognize the importance of direct loans in resource sharing activities, especially to public libraries in urban and suburban areas, because of the greater volume of direct loan transactions than of mediated interlibrary loan transactions (County #1).***
- ***Provide a method of additional compensation for "top tier" lenders to encourage their continued support of any proposed resource-sharing systems (County #1).***
- ***I would do nothing to recognize the efforts of "top tier" lenders. "Top tier " lenders should be compensated at exactly the same rate as everyone else. If compensation is not netted out, they would receive more funds. Many factors play into why a particular jurisdiction serves non-residents – to have the state become embroiled in these local issues, would be involving the state in matters that are best dealt with locally (County #2).***
- ***I completely agree on the need for extra compensation to top-tier lenders. Otherwise, there probably won't be any top-tier lenders. That compensation needs to be graduated, just like other services. SFPL or UCLA is going to be a different sort of top-tier lender than Cedars of Lebanon Hospital or the Rincon Valley Union School District (Academic #1).***
- ***The report's section "Recognize the efforts of 'top tier' lenders" is, for the most part, well stated. We certainly agree [with the concepts in that section] (Academic #2).***
- ***I support recognition of "top tier" lenders (CLSA System).***

Invest in infrastructure to manage and monitor loan activity electronically.

- We need to find ways to keep track of resource sharing activity automatically, without sample periods and manually recorded "tick marks".
- Some automatic means of auditing participation, i.e. measuring a library's performance in filling the requests it receives, would help to ensure accountability and prevent abuse of the system.

<u>Comments:</u>

- ***Provide support for establishing a Statewide or regional system of borrower verification in proposed infrastructure changes for resource sharing (County #1).***
- ***Separate funding for automating and monitoring loan activity from reimbursements for direct resource sharing (County #1).***
- ***Auditing should be performed on a regular bases by the state (County #2).***

V. Recommended Next Steps

Though the focus group was in general agreement about these new concepts, the participants recognized that they have proposed several significant departures from current practice—perhaps even departures from the current law. Therefore they felt that the group's work should be distributed for further comment before the Library of California Board takes action.

If these new compensation concepts have general support, it makes sense to plan a regional pilot implementation and test them under field conditions before adopting them statewide.