

Reaffirming a Commitment to Balance

Report of the
Finance & Human Resources Committee
on Library Funding
June 24, 2008

The Committee's Job



- 2008 Budget directed Finance & HR Committee to study library funding and report by June 10, 2008
- Issue on committee agenda 8 times in '08
- Committee heard from county staff, Lakeshores Library System staff, local elected officials, and local library directors

The Committee's Goals

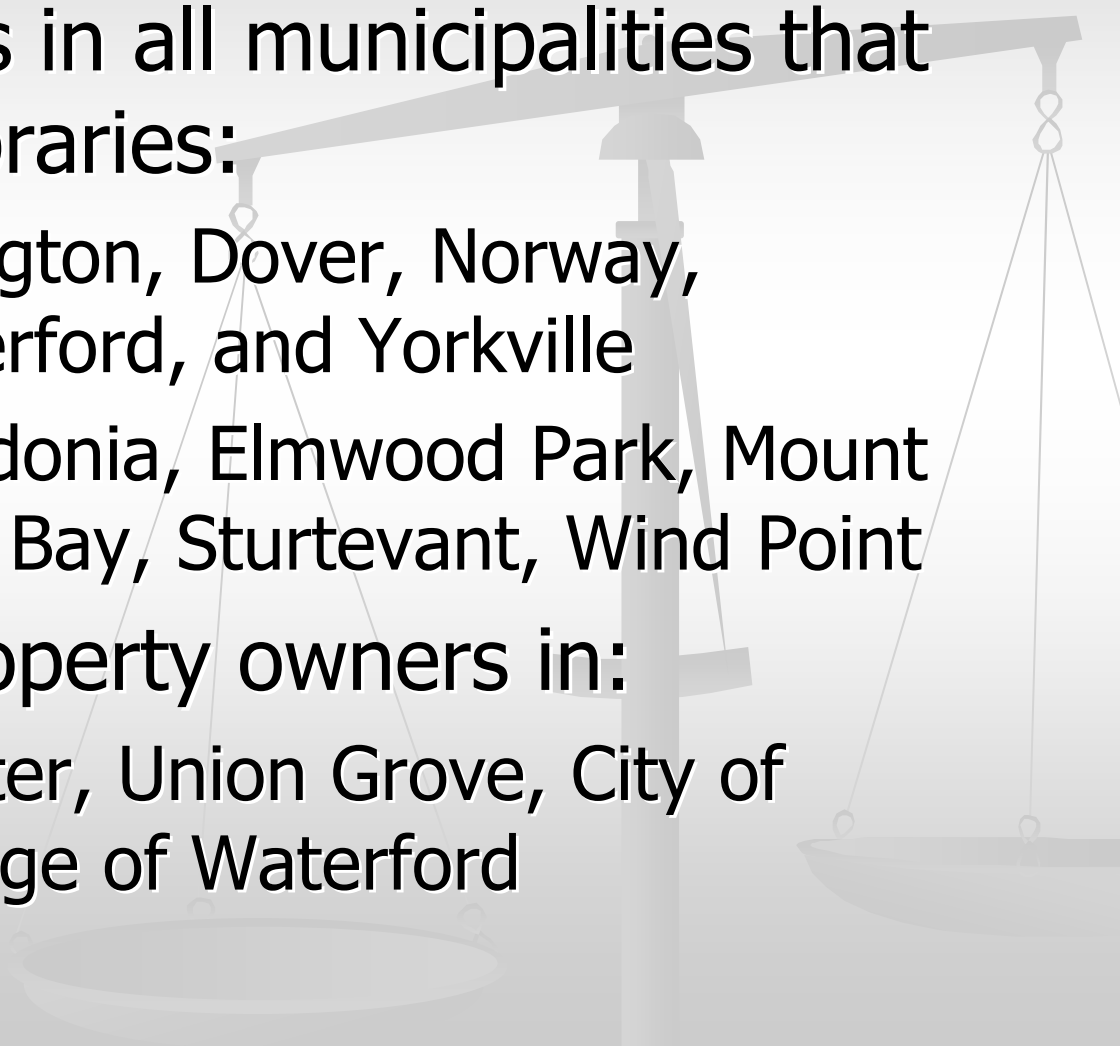


- Ensure strong support for libraries
- Ensure continued access to municipal libraries for residents of Racine County municipalities without libraries
- Ensure balance in property tax burdens
 - For residents and taxpayers of Racine County municipalities with libraries
 - For residents and taxpayers of Racine County municipalities without libraries

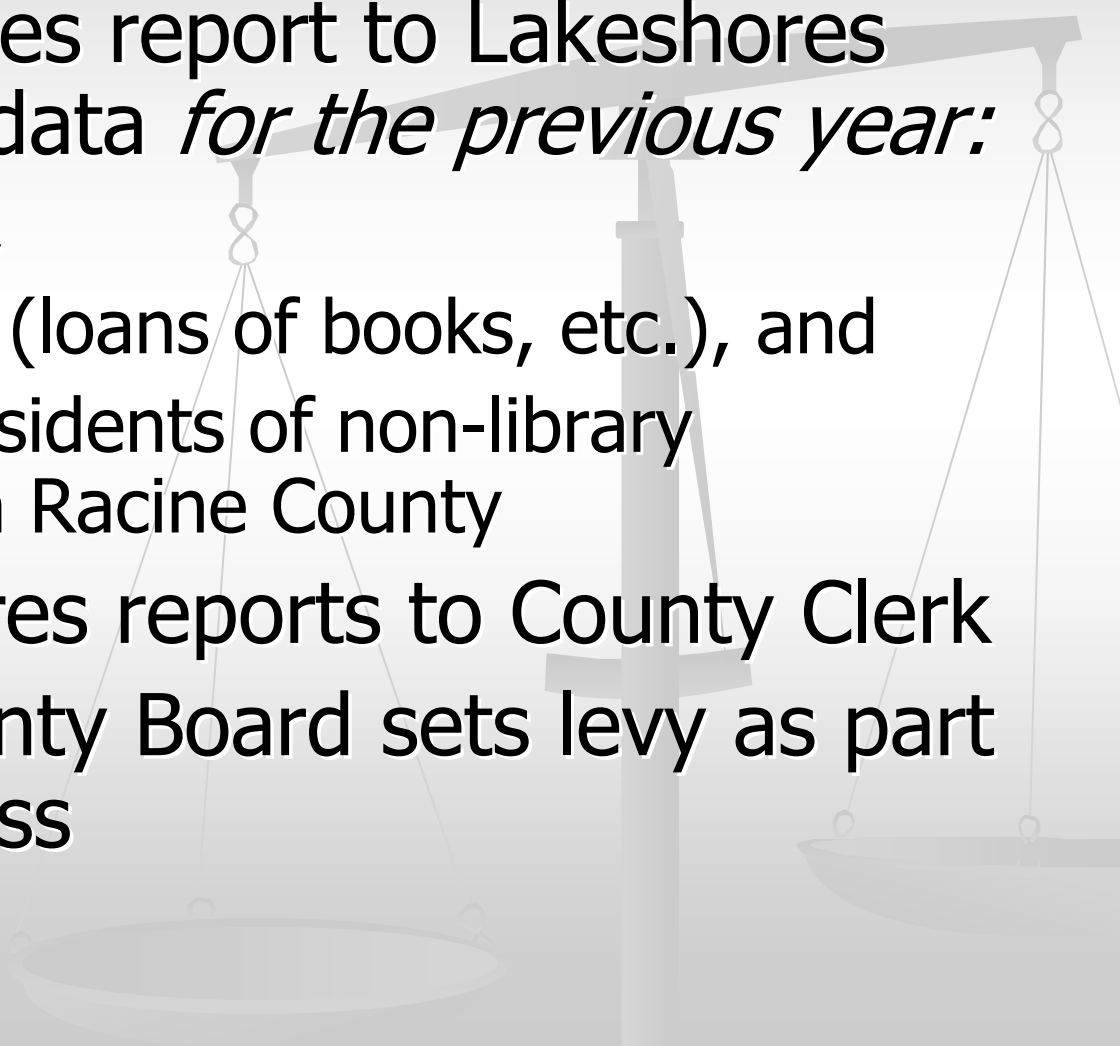
What is the Library Levy?

- Tax imposed by county on property in any county municipality that does not have a municipal library
- Levy proceeds go to Lakeshores Library System, which distributes to the county's 5 municipal libraries: Burlington, Racine, Rochester, Union Grove, and Waterford

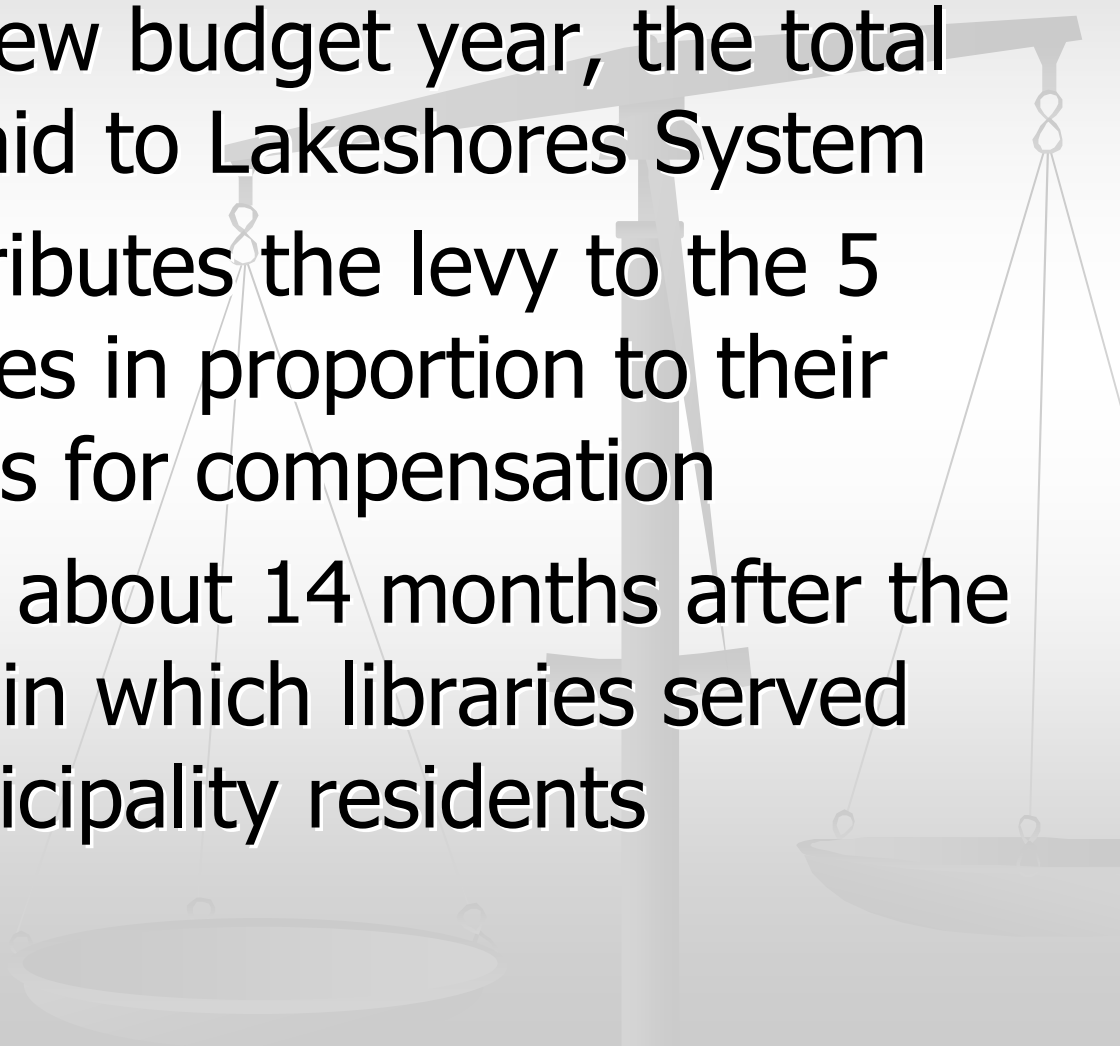
Who Pays the Library Levy?

- Property owners in all municipalities that do NOT have libraries:
 - Towns of Burlington, Dover, Norway, Raymond, Waterford, and Yorkville
 - Villages of Caledonia, Elmwood Park, Mount Pleasant, North Bay, Sturtevant, Wind Point
 - NOT paid by property owners in:
 - Racine, Rochester, Union Grove, City of Burlington, Village of Waterford
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How is the Library Levy Set?

- In spring, libraries report to Lakeshores Library System data *for the previous year*:
 - operating costs,
 - total circulation (loans of books, etc.), and
 - circulation to residents of non-library municipalities in Racine County
 - July 1, Lakeshores reports to County Clerk
 - In autumn, County Board sets levy as part of budget process
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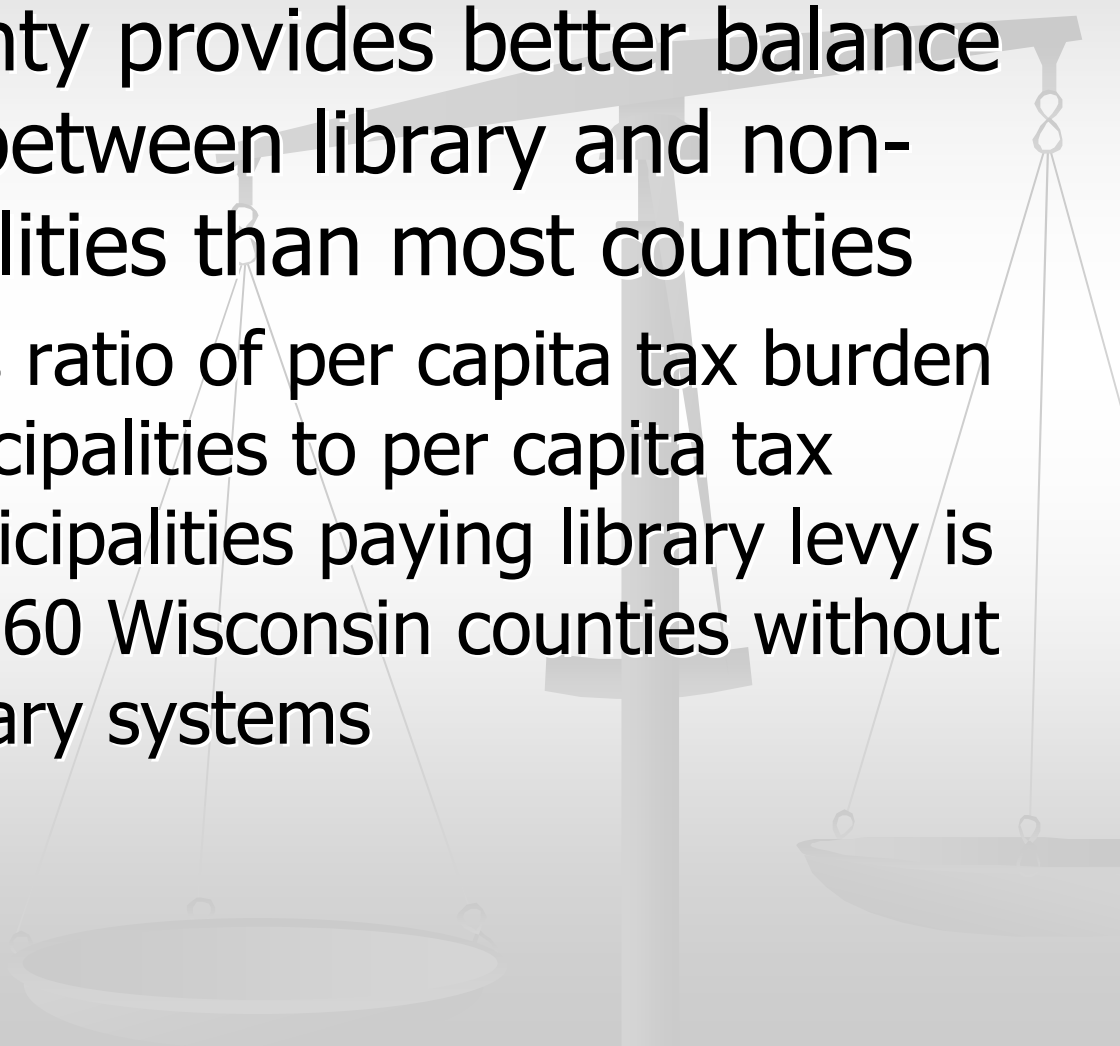
How is the Library Levy Paid?

- By March 1 of new budget year, the total library levy is paid to Lakeshores System
 - Lakeshores distributes the levy to the 5 municipal libraries in proportion to their respective claims for compensation
 - Payments come about 14 months after the end of the year in which libraries served non-library municipality residents
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Comparing Racine County to Other Wisconsin Counties

- Overall, Racine County library municipalities and Racine County provide relatively low support to libraries
 - Per capita tax support in Racine County library municipalities 61st out of 72 counties and second lowest out of 20 largest counties
 - Per capita tax support overall (municipal levies + library levy) 43rd out of 72 counties and lowest out of 20 largest counties
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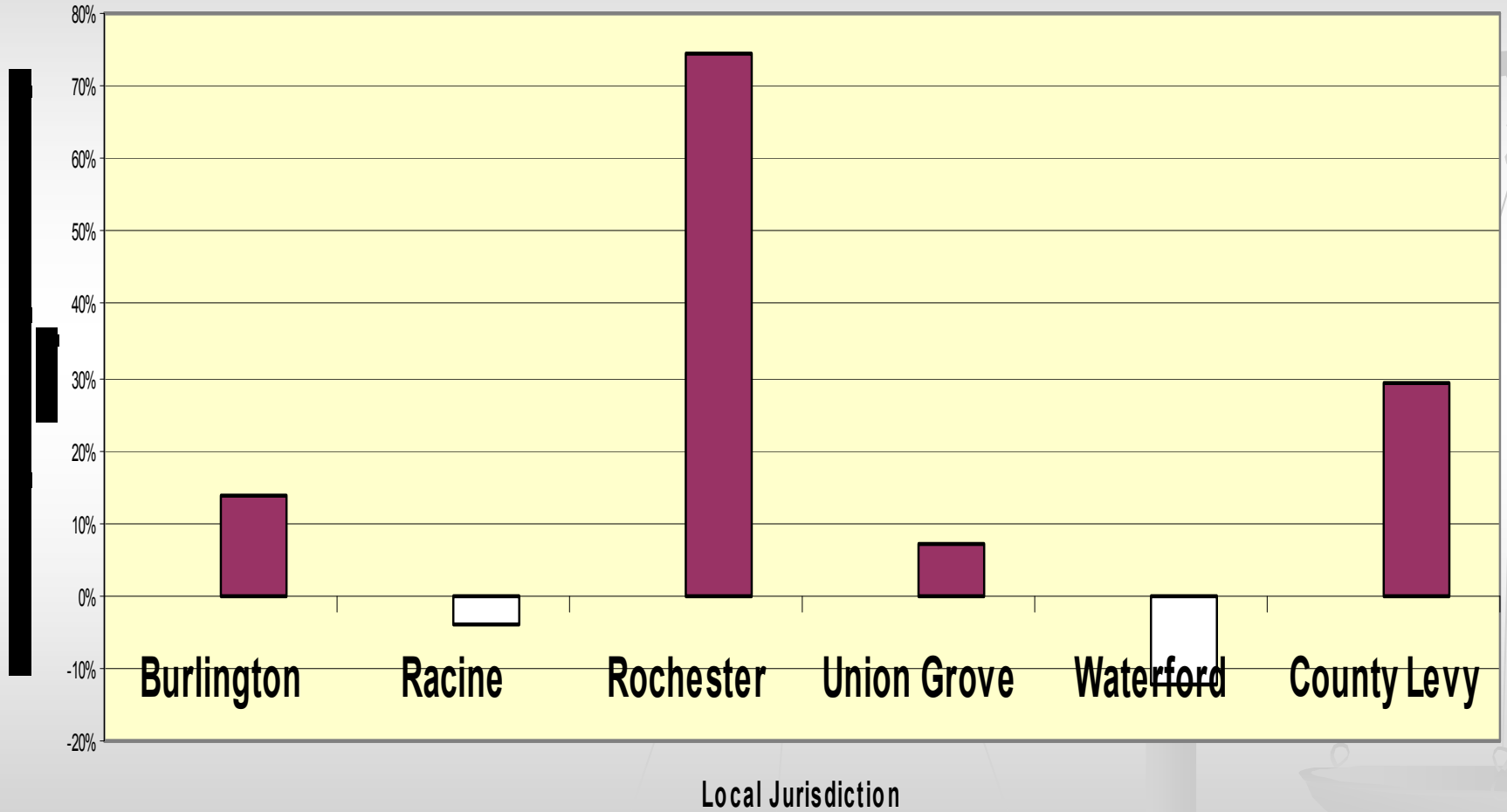
Comparing Racine County to Other Wisconsin Counties, Cont.

- But Racine County provides better balance in tax burdens between library and non-library municipalities than most counties
 - Racine County's ratio of per capita tax burden for library municipalities to per capita tax burden for municipalities paying library levy is 3rd best among 60 Wisconsin counties without countywide library systems
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Comparing County Levy Changes to Municipal Library Levy Changes

- Changes in Racine County municipalities' library levies, 2001-2006
 - Burlington +13.48%
 - Racine - 3.84%
 - Rochester +74.30%
 - Union Grove + 6.88%
 - Waterford - 11.99%
- Change in county library levy, 2002-2007 + 29.15%

Changes in Municipal and County Library Levies 2001-2006



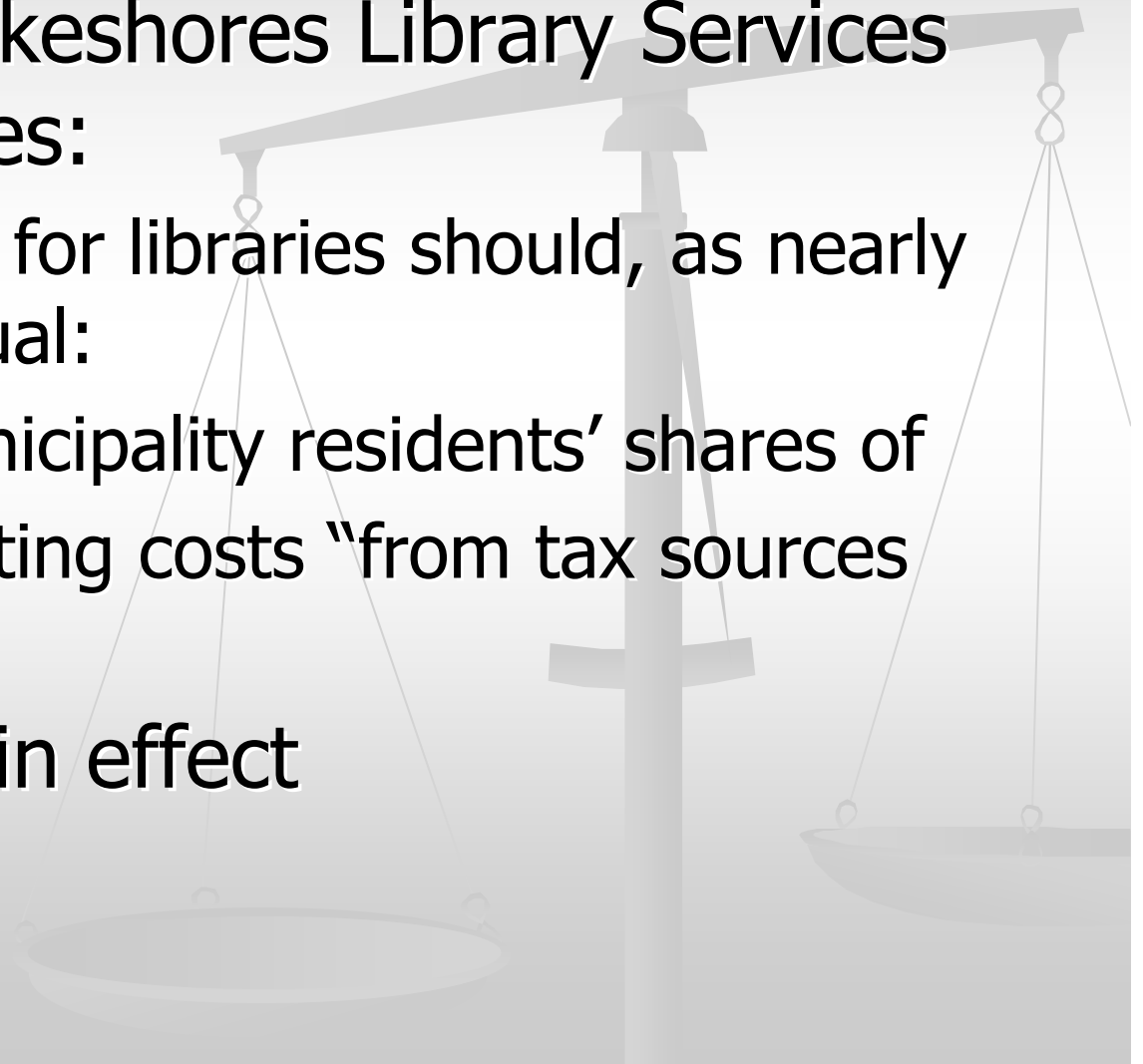
Local Jurisdiction

What Wisconsin Law Requires

- Wisconsin law on library funding requires 2 things of Racine County:
 1. Each library gets at least 70% of the operating costs (less federally funded costs) of serving residents of Racine County municipalities without libraries
 2. The library levy must at least equal the average of the previous 3 years' levies

What County & Libraries Agreed To

- 1989 County-Lakeshores Library Services Agreement states:
 - County support for libraries should, as nearly as possible, equal:
 - Non-library municipality residents' shares of
 - Libraries' operating costs "from tax sources only"
- Agreement still in effect



Comparing Law & Agreement

- Law lets libraries claim more costs (e.g., grant-funded), but only sets 70% floor
- Agreement lets libraries claim fewer costs, but expects they'll be fully covered
- Committee believes Agreement better balances library/non-library tax burdens
- BUT county must still compensate at least 70% of the costs claimable under the law

Reaffirming the Agreement

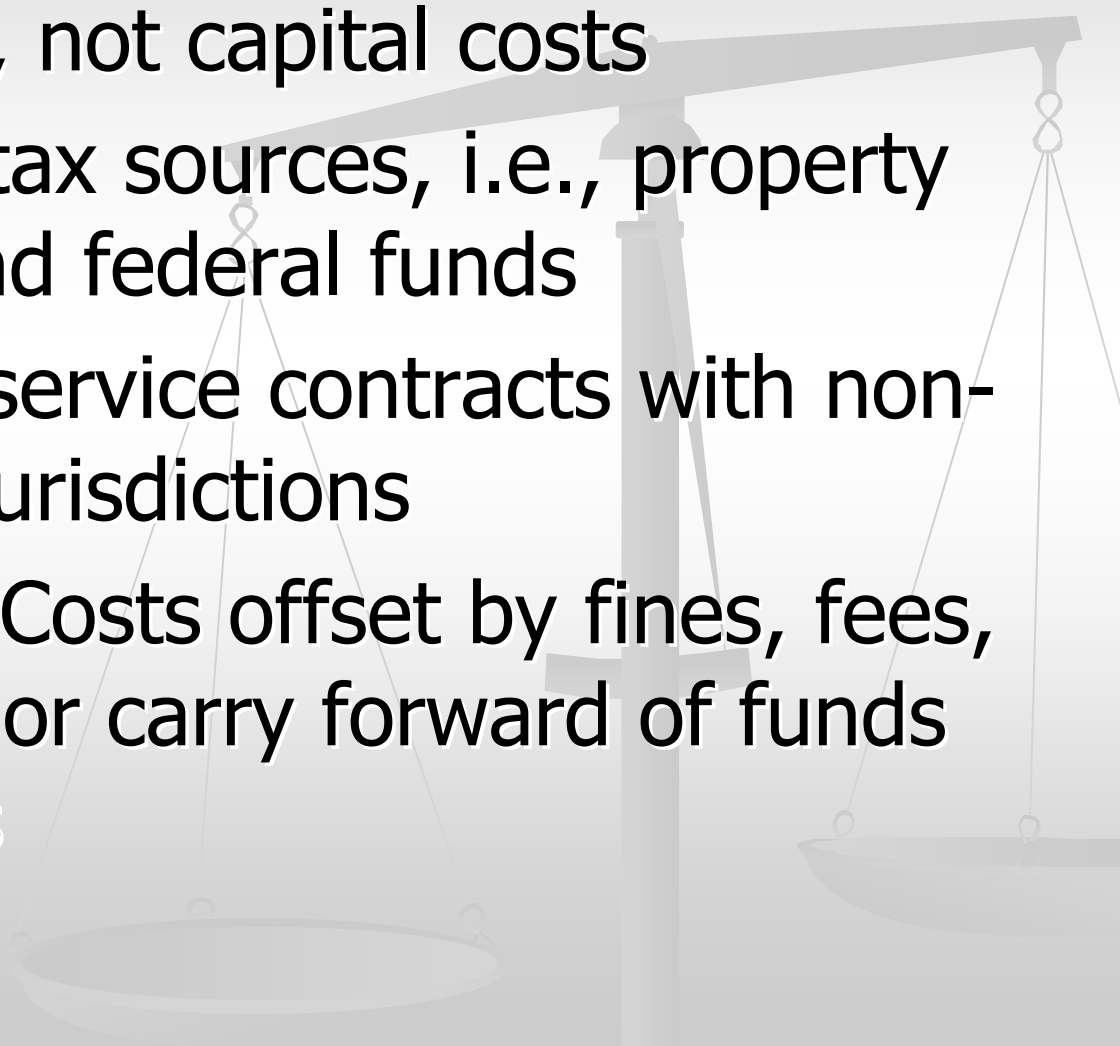
- The committee recommends that the Board reaffirm the Agreement's intention
 - To balance property tax burdens of library and non-library municipality residents
 - To pay only for library use by residents of Racine County non-library municipalities
 - To pay municipal libraries, as nearly as possible, the share of claimable costs due to use by non-library municipality residents

Clarifying the Agreement

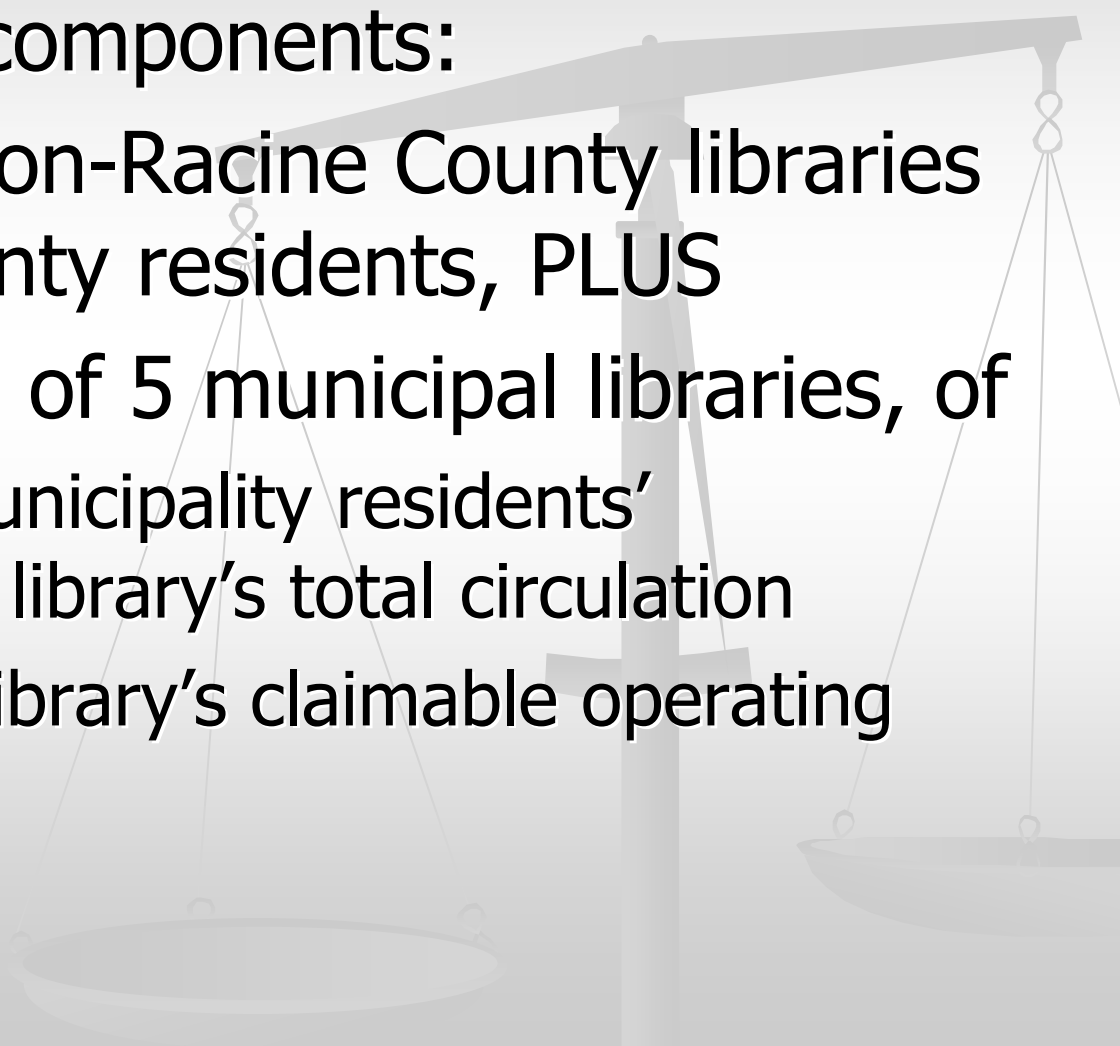


- The committee recommends that the Board clarify the Agreement by
 - Specifying which library operating costs should be considered when setting the levy
 - Defining costs and revenues in terms used by WI Department of Public Instruction (DPI), the state's library oversight agency
 - Using cost, revenue & circulation data as reported to DPI, to assure reliability

What Costs May Libraries Claim?

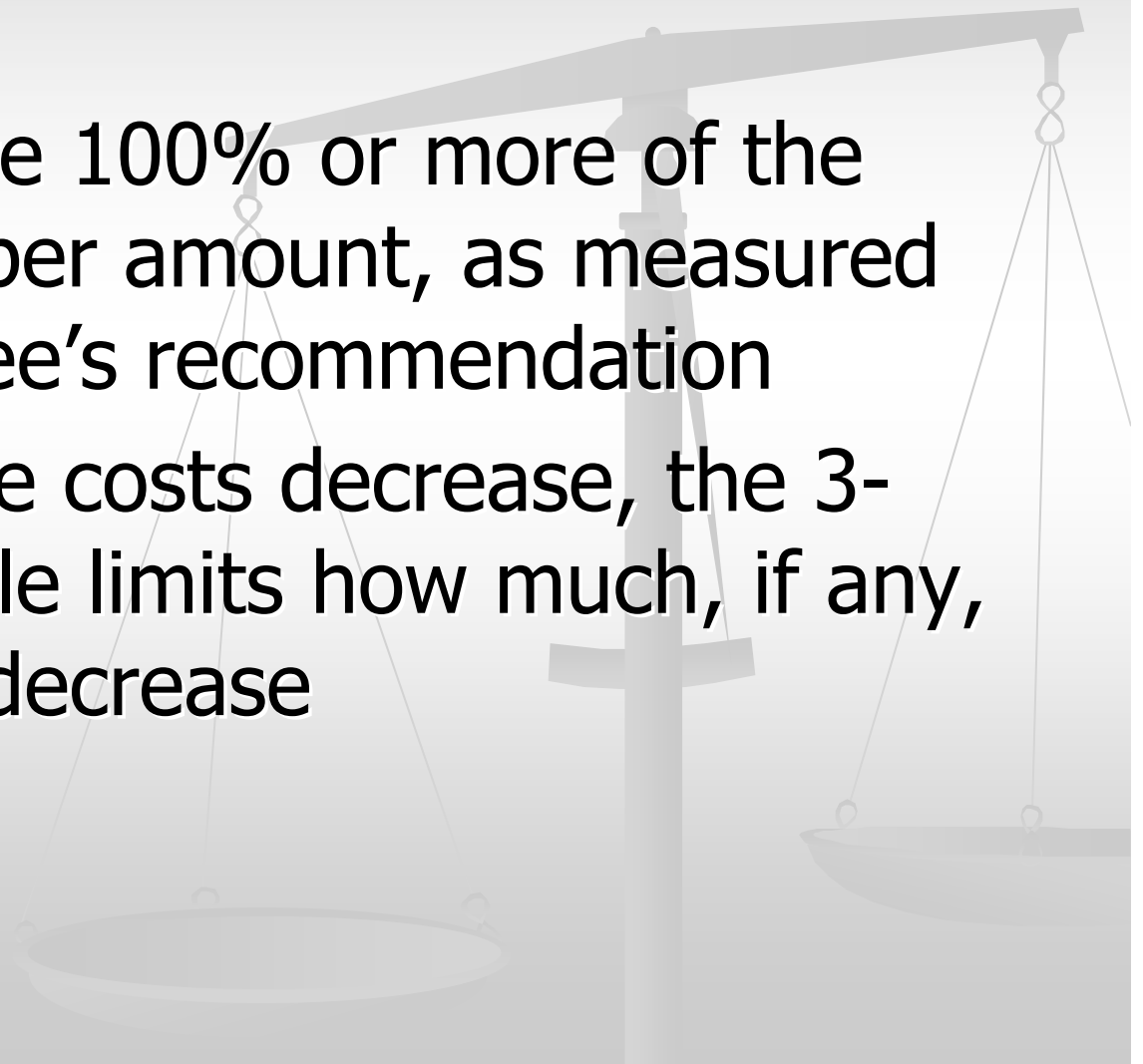
- Operating costs, not capital costs
 - Costs offset by tax sources, i.e., property tax and state and federal funds
 - Costs offset by service contracts with non-Racine County jurisdictions
 - NOT claimable: Costs offset by fines, fees, gifts, donations or carry forward of funds from prior years
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How Much Should Levy Be?

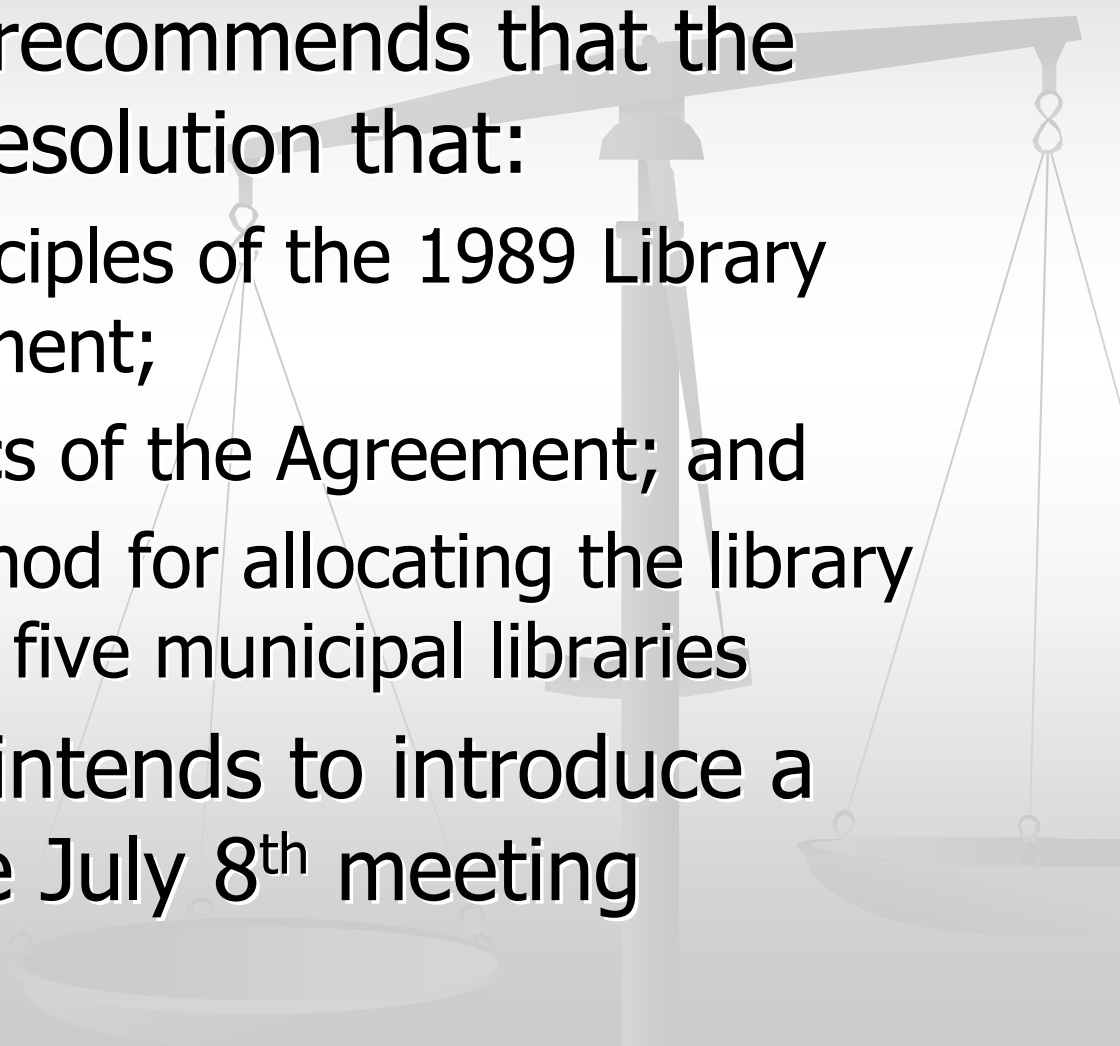
- Levy has two components:
 1. Payments to non-Racine County libraries for use by county residents, PLUS
 2. Total, for each of 5 municipal libraries, of
 - A. Non-library municipality residents' percentage of library's total circulation
 - B. Multiplied by library's claimable operating costs
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How Will the Levy Change?

- Little, if at all
- Recent levies are 100% or more of the each year's proper amount, as measured by the committee's recommendation
- Even if claimable costs decrease, the 3-year average rule limits how much, if any, the levy would decrease



How Should the Board Act?

- The committee recommends that the Board adopt a resolution that:
 - Affirms the principles of the 1989 Library Services Agreement;
 - Clarifies specifics of the Agreement; and
 - Specifies a method for allocating the library levy among the five municipal libraries
 - The committee intends to introduce a resolution at the July 8th meeting
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Library Levy Nuts & Bolts



Will this method result in fair library levy funding to municipal libraries?

- The short answer is, Yes
- The important question is, What costs should be covered?
- Two parts to the answer:
 - What circulation should library levy pay for?
 - What costs may the municipal library count?

Library Levy Nuts & Bolts, Cont.



What circulation should library levy pay for?

- Only library loans to:
 - Racine County residents
 - Who live in municipalities without libraries
- Until 2008, municipal libraries also claimed circulation to library municipality residents
 - In 2003-2006, overstated claims 6% - 7.5%

Library Levy Nuts & Bolts, Cont.



What costs may libraries claim?

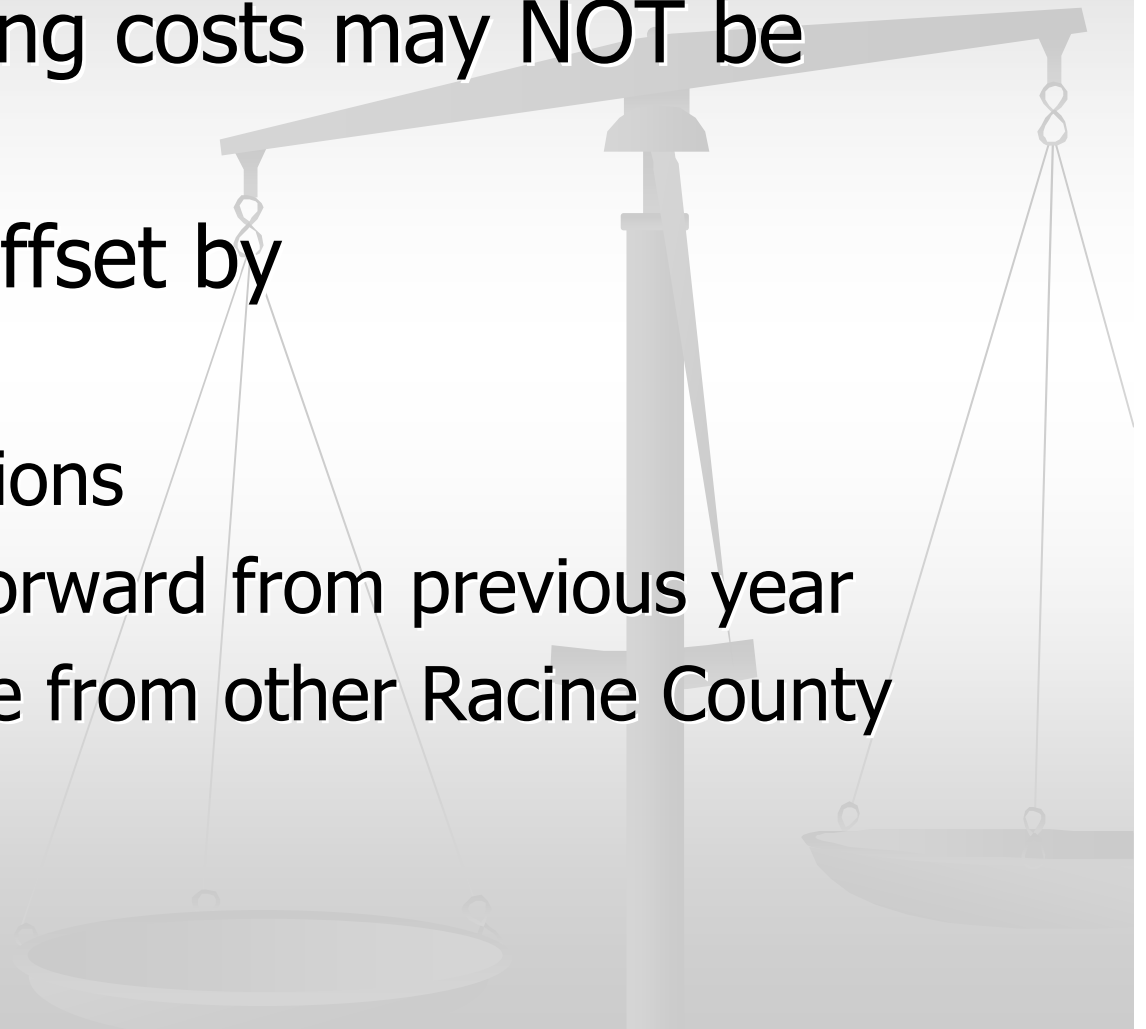
- Operating costs, consisting of:
 - Personnel costs (salaries & fringe)
 - Materials acquisitions
 - Operation & maintenance, utilities, supplies, etc.
- Capital costs may not be claimed
- All costs reported to Wisconsin DPI

Library Levy Nuts & Bolts, Cont.



What operating costs may NOT be claimed?

- Costs that are offset by
 - Fees and fines
 - Gifts and donations
 - Funds carried forward from previous year
 - Contract income from other Racine County jurisdictions



Library Levy Nuts & Bolts, Cont.



- Why exclude costs offset by income from fines, fees, gifts, donations?
- Under 1989 Library Services Agreement, payment for costs “from tax sources only”
- “Excluding” costs offset by such income
 - Does NOT penalize/harm library municipality
 - Shares benefit of such income between library municipality and library levy
 - Helps ensure fair sharing of tax burden



Hypothetical Illustration:

- Total Expenses \$10,000
- Fines, Fees, Donations \$ 1,000

- Resident circulation 50%
- Non-Resident circulation 50%

- If costs offset by Fines, Fees, Donations are INCLUDED:
 - Resident tax share \$4,000
 - Non-Resident tax share \$5,000

- If costs offset by Fines, Fees, Donations are EXCLUDED:
 - Resident tax share \$4,500
 - Non-Resident tax share \$4,500

Library Levy Nuts & Bolts, Cont.



Why exclude costs offset by income carried forward from previous year?

- Income carried forward comes from all sources, including county funds
- “Excluding” costs offset by carry-forward
 - Does NOT penalize/harm library municipality
 - Shares benefit of carry-forward between library municipality and library levy
 - Helps ensure fair sharing of tax burden



Hypothetical Illustration:

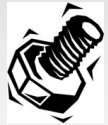
- Total Expenses \$10,000
- Funds Carried Forward \$ 1,000

- Resident circulation 50%
- Non-Resident circulation 50%

- If costs offset by Funds Carried Forward are INCLUDED:
 - Resident tax share \$4,000
 - Non-Resident tax share \$5,000

- If costs offset by Funds Carried Forward are EXCLUDED:
 - Resident tax share \$4,500
 - Non-Resident tax share \$4,500

Library Levy Nuts & Bolts, Cont.



Why INCLUDE costs offset by contract income from non-County jurisdictions?

- Contracts pay for loans to non-residents
- “Including” costs offset by contracts with outside jurisdictions
 - Does NOT penalize/harm library levy payers
 - Helps ensure fair sharing of tax burden by preserving a fair average cost of circulation



Hypothetical Illustration:

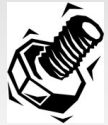
- Total Expenses \$10,000
- Contract Income \$ 1,000

- Resident circulation 45%
- Non-Resident circulation (Rac. Cty) 45%
- Non-Resident circulation (Non-Cty) 10%

- If costs offset by Contract Income **INCLUDED**:
 - Resident tax share \$4,500
 - Non-Resident tax share \$4,500

- If costs offset by Contract Income **EXCLUDED**:
 - Resident tax share \$4,950
 - Non-Resident tax share \$4,050

Library Levy Nuts & Bolts, Cont.



Why EXCLUDE costs offset by contract income from Racine County municipalities?

- Contracts pay for loans to non-residents
- “Including” costs offset by contracts between county library municipalities penalizes/harms library levy payers because both paying municipality and receiving municipality can claim the costs



Hypothetical Illustration:

- *Library A*
- Total Expenses \$10,000
- Contract Income \$ 1,000

- Resident circulation 45%
- Non-Resident circulation 45%
- Municipality B circulation 10%

- *Library B*
- Total Expenses \$10,000
 - Includes contract payment to Library A
- Resident circulation 50%
- Non-Resident circulation 50%

If costs offset by Contract Income INCLUDED:

■ **Library A**

■ Resident tax share	\$4,500
■ Non-Resident tax share	\$4,500

■ **Library B**

■ Resident tax share	\$4,000
■ Non-Resident tax share	\$5,000

■ *Total Non-Resident (Library Levy) Share: \$9,500*

If costs offset by Contract Income EXCLUDED:

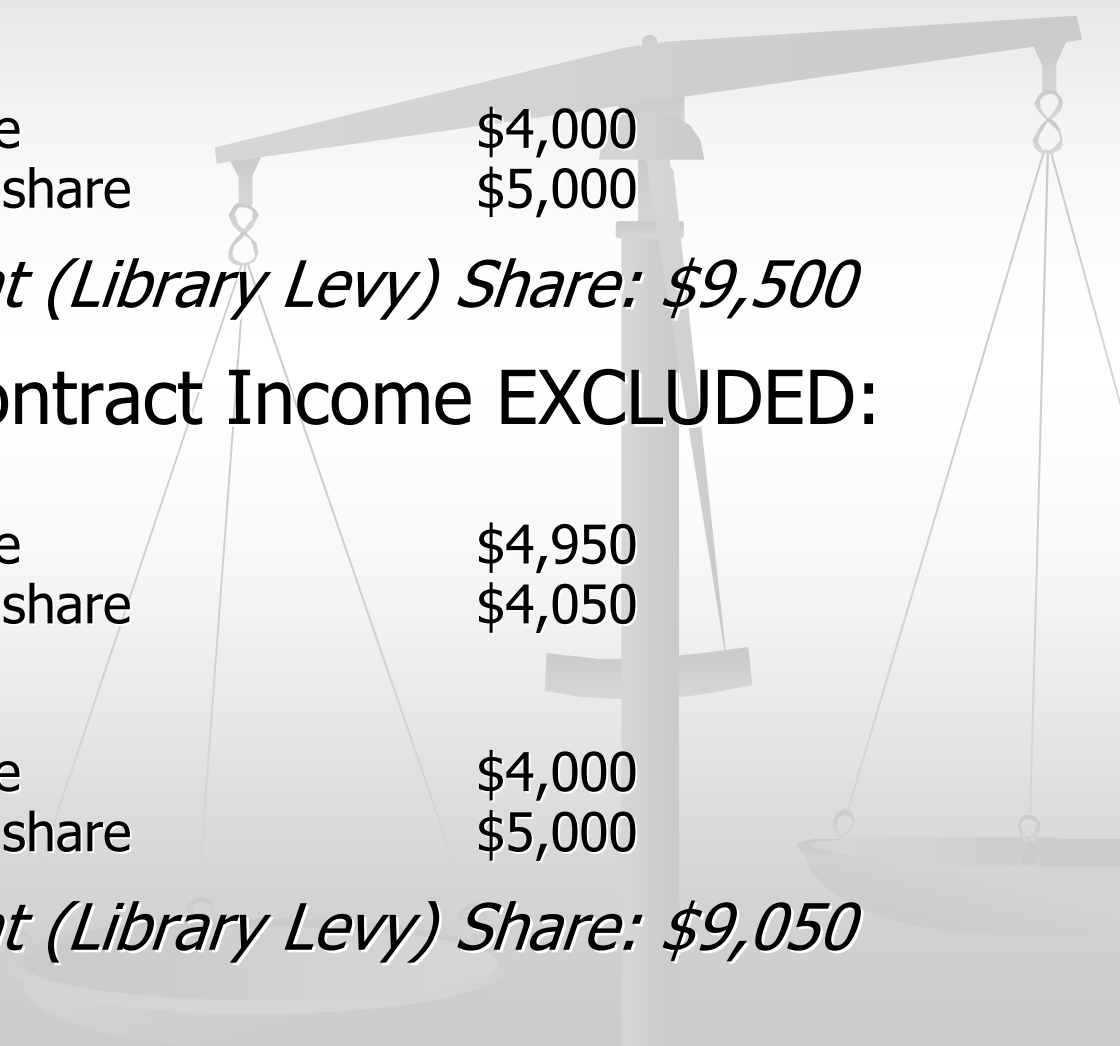
■ **Library A**

■ Resident tax share	\$4,950
■ Non-Resident tax share	\$4,050

■ **Library B**

■ Resident tax share	\$4,000
■ Non-Resident tax share	\$5,000

■ *Total Non-Resident (Library Levy) Share: \$9,050*



Hypothetical Comparison: 2006 Payment Requests vs. Committee Formula

■ Requests for 2006*

■ Burlington	\$183,841
■ Racine	\$1,548,049
■ Rochester	\$31,430
■ Union Grove	\$112,357
■ Waterford	\$291,412
■ TOTAL	\$2,293,187

Committee Formula

■ Burlington	\$166,553
■ Racine	\$1,343,758
■ Rochester	\$30,157
■ Union Grove	\$106,292
■ Waterford	\$272,679
■ TOTAL	\$2,045,539

* Actual requests reduced to include only circulation to non-library municipality residents

Hypothetical Comparison: 2006 Payment Requests vs. Actual Levy, Using Committee Formula

■ Requests for 2006*

■ Burlington	\$183,841
■ Racine	\$1,548,049
■ Rochester	\$31,430
■ Union Grove	\$112,357
■ Waterford	\$291,412
■ TOTAL	\$2,293,187

Committee Formula

■ Burlington	\$174,623
■ Racine	\$1,408,861
■ Rochester	\$31,169
■ Union Grove	\$111,442
■ Waterford	\$285,890
■ TOTAL	\$2,138,533

* Actual requests reduced to include only circulation to non-library municipality residents

3-Year Average Rule



- County support for library services must at least equal average of previous 3 years
- 2007 library levy \$2,138,533
- Minimum library levies for 2008-2012*
 - 2008 \$2,103,145
 - 2009 \$2,115,926
 - 2010 \$2,119,201
 - 2011 \$2,112,757
 - 2012 \$2,115,961

* Assumes only minimum levy 2008 forward

Reaffirming a Commitment

- The committee looks forward to working with Board and municipalities to ensure:
 - Continued strong support for libraries
 - Continued library access for residents of Racine County municipalities without libraries
 - Balance in property tax burdens between Racine County residents who pay the library levy and those who pay for library services in their own municipalities
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