



## Legislative Fiscal Bureau

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February 10, 1998

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 259: Public Instruction -- Public Library Lending Incentive Aid

Senate Bill 259 would create a public library lending incentive aid program and establish a GPR appropriation to provide aid to public libraries under this program. Senate Bill 259 was introduced by the Joint Legislative Council on July 10, 1997, and referred to the Senate Committee on Education. On September 24, 1997, the Senate Committee on Education adopted Senate Amendment 2 on a vote of seven ayes and zero noes, and recommended the bill as amended for passage of a vote of six ayes and one no.

### BACKGROUND

Local libraries receive most of their financial support through municipal and county funding. Currently, there are no state aid programs exclusively for local public libraries, although local libraries may be eligible for certain aid programs under the TEACH Board. Additionally, local libraries are eligible for several federal aid programs.

Each of the state's 381 local public libraries are members of a public library system. The seventeen public library systems receive state aid through a formula based on the area of a system, local expenditures on libraries in a system and the population within a system. Aids are determined in December of each year, based on the expenditures in the second-previous calendar year and the population in the previous calendar year. In 1997-98, \$12,863,800 GPR is appropriated for library system aids and in 1998-99, \$13,249,800 GPR is appropriated for the aid program. These funding levels were established in 1997 Act 27 (the 1997-99 budget act), which provided increases of \$1,091,600 GPR in 1997-98 and \$1,477,600 GPR in 1998-99 over the 1996-97 base level funding of \$11,772,200 GPR.

In order to be eligible for state aid, library systems are required to meet certain service standards which enhance system services to, and cooperation among, local libraries. These standards include a requirement that each library in a system provide access to any resident of the system area to the library services of any participating library on the same terms that the services are provided to the residents of the municipality or county that established the library.

Additionally, in order to facilitate state residents' access to library services, all public libraries are required to honor valid borrowers' cards from libraries in adjacent systems (with the exception of the Milwaukee County Federated Library System). However, a public library may refuse to provide services to residents of adjacent systems if the total amount of the reimbursement received by the library for the preceding year from the adjacent system, and from counties and municipalities in that system, is less than the cost incurred by the public library in providing the service. The first 500 loans are not included in the cost calculation. Should a library refuse to honor the valid cards of borrowers from an adjacent system, annual meetings between representatives of the systems involved must be held to discuss the resulting lack of services and the cost of providing such services.

## **SUMMARY OF BILL**

Senate Bill 259 would create an annual appropriation under the Department of Public Instruction (DPI) to provide aid to public libraries under the public library lending incentive aid program.

The bill would define a loan as a unit of service that involves the checking out of a single item from a library, to a person who resides outside the public library's primary service area, for use outside of the library for a specific period of time. Primary service area would be defined as the area that a municipal, joint or consolidated county library is established to serve.

The state aid paid to public libraries would be calculated as follows:

- a. For public libraries that make fewer than 100 loans to nonresidents in any fiscal year, aid would be determined by multiplying the number of loans by 50 cents;
- b. For public libraries that make more than 100 loans to nonresidents in any fiscal year, state aid would be the actual cost of making loans in the previous fiscal year, as determined by Department of Public Instruction (DPI) administrative rules.

Under SB 259, by April 30 of each year, the Division of Libraries and Community Learning in DPI would be required to certify to the Department of Administration (DOA) the amount to which each public library is entitled, based on the number of loans made in the previous fiscal year. Annually by June 30, DOA would be required to pay the certified amounts to public libraries from the appropriation created under DPI.

If in any fiscal year the amount appropriated would be insufficient to pay the full amount of aid calculated, the bill would require DOA to prorate the payments among public libraries, according to the percentage of total aid that each public library would be entitled to receive if the amount appropriated were sufficient.

Under SB 259, DPI would be required to promulgate rules establishing a procedure for determining the number of loans made by a public library. The provisions in the bill would take effect on July 1, 1999.

## **SUMMARY OF AMENDMENTS**

**Senate Amendment 1.** Senate Bill 259 would calculate aid for public libraries that make more than 100 loans in any fiscal year as the actual cost of making loans in the previous fiscal year, as determined by DPI administrative rules. Senate Amendment 1 to SB 259 would calculate aid in this manner for public libraries that make fewer, rather than more, than 100 loans in any fiscal year. No action was taken on SA 1 by the Senate Committee on Education.

**Senate Amendment 2.** Senate Bill 259 would calculate aid for public libraries that make more than 100 loans in any fiscal year as the actual cost of making loans in the previous fiscal year, as determined by DPI administrative rules. Senate Amendment 2 to SB 259 would delete this provision and instead prohibit the payment of aid to a public library that made 100 or fewer loans in the previous fiscal year. Therefore, under SA 2, all aid under this program would be calculated for libraries that make 100 or more loans in a fiscal year, at a rate of 50 cents per loan.

## **FISCAL EFFECT**

In calendar year 1996, public libraries in Wisconsin reported to DPI a total of 46,393,268 loans statewide. While not all libraries reported nonresident circulation, the Department estimates that approximately 14.6 million loans were made to nonresidents in 1996. In determining its fiscal estimate, the Department assumed a two percent increase in nonresident circulation in calendar year 1997 and a one percent increase in subsequent years and that the costs of making a nonresident loan would increase by 3% annually from the 1996 level of \$2.69.

Based on SB 259 as introduced, DPI estimates that annual state aid under this program could cost between \$40 and \$45 million, if the Legislature would decide to fully fund this proposed aid program. Using the DPI assumptions it appears that full funding of SB 259 would cost an estimated \$44 million in 1999-2000 and \$46 million in 2000-01.

Under the provisions of SB 259 as amended by SA 2, full funding of the annual aid entitlement would cost an estimated \$7.5 million in 1999-2000 and \$7.6 million in 2000-2001,

based on a reimbursement rate of 50 cents for each nonresident loan made by public libraries that made more than 100 nonresident loans in the previous fiscal year.

SB 259 would not take effect until July 1, 1999. Therefore, it would have no fiscal effect in the 1997-99 biennium. While the bill would create an annual sum certain GPR appropriation for these proposed public library aid payments, no funding amount is set for the 1999-2001 biennium. As a result, the 1999 Legislature would have to determine what level of funding to provide for this purpose, if SB 259 is enacted.

Prepared by: Ruth Hardy

MO# *passage as amended*

MO# \_\_\_\_\_

MO# \_\_\_\_\_

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
SCHULTZ	Y	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
SCHULTZ	Y	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
SCHULTZ	Y	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 9 NO 6 ABS 1

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_