



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #657

Public Library Aids and Library Service Contracts (DPI -- Administrative and Other Funding)

[LFB 2009-11 Budget Summary: Page 13, #2, Page 537, #8, & Page 538, #9]

CURRENT LAW

Public library systems receive state aids in order to supplement public library services provided by local and county funds. In 2008-09, public library system aid totaled \$11,297,400 GPR and \$5,486,100 SEG from the universal service fund. DPI is required to include in its biennial budget submission a request for funding equal to 13% of the total operating expenditures from local and county sources in the calendar year immediately preceding the calendar year in which aid would be paid. The amount must include a recommendation for state aid for public libraries and recommendations for the funding of other public library services, as determined in conjunction with libraries and systems. The Department's 2009-11 biennial budget request included a request for state aid increases of \$10,476,800 GPR in 2009-10 and \$11,294,600 GPR in 2010-11 over base funding of \$11,297,400 GPR and \$5,486,100 SEG in 2008-09.

Library service contracts are maintained by the Department of Public Instruction (DPI) with four providers of specialized statewide information services and resources. In 2008-09, funding for library service contracts totaled \$1,097,200 GPR.

The state segregated universal service fund (USF) receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. The USF currently funds universal telecommunications services programs under the Public Service Commission (PSC); the telecommunications access program under the Department of Administration (DOA); BadgerLink, Newline for the Blind, and public library system aid under DPI; and BadgerNet under the University of Wisconsin (UW) System. Total assessments are budgeted at \$32,038,400 in 2008-09. The PSC modifies assessments each year to reflect appropriation levels and unappropriated assessments. Over time, assessments will match

appropriations but they may not in any one year.

GOVERNOR

Public Library System Aid. Delete \$11,297,400 GPR in 2008-09 and provide \$11,297,400 SEG in 2008-09 for aids to public library systems. Specify that this provision would take effect on the day after publication of the act.

Delete \$11,297,400 GPR annually and provide \$11,541,100 SEG in 2009-10 and \$12,056,900 SEG in 2010-11 for aid to public library systems. Also, repeal the GPR appropriation for library aids. The recommendation would result in library funding of \$17,027,200 SEG in 2009-10 and \$17,543,000 SEG in 2010-11, or net increases of \$243,700 in 2009-10 and \$759,500 in 2010-11 compared to the all funds base level of funding. These funding levels would represent annual increases of 1.5% in 2009-10 and 3.0% in 2010-11.

Library Service Contracts. Delete \$1,097,200 GPR annually and provide \$1,134,300 SEG in 2009-10 and \$1,169,800 SEG in 2010-11 in a newly created appropriation for contracts with four providers of specialized statewide library services and resources. Provide that these library service contracts be added to the statutorily enumerated permissible uses for universal service fund revenues.

The segregated funding is from the universal service fund.

DISCUSSION POINTS

Public Library System Aids

1. Public library systems were created by the Legislature in 1971 in order to improve and extend public library services, promote resource sharing among libraries, and increase access to library materials and services by the state's residents. Serving a specific geographic region, each system provides special services and programs not offered by municipal and county libraries individually. Currently, there are 17 library systems serving all 72 counties and every state resident. Library systems receive state aids for coordination and supplementation of services beyond what could be provided by county and local funds.

2. Library systems do not oversee the administration of local libraries, which remain autonomous in regard to local services and operations. Although not required by law to do so, all local units of government providing library services participate in a library system. Municipal funds support the costs of providing basic library services at a municipal library to residents who pay taxes for library services. A county board may provide funds to individual municipal libraries or to public library systems. County funds, which must be provided under current law, are most commonly used to provide library service or access to it for county residents not residing in a municipality that operates its own library. Counties may also provide services themselves through county libraries.

3. Because public libraries operate on a calendar year basis, final statistics for operating income and expenditures are not yet available for 2008. The following table shows 2007 income amounts for public library services in millions.

	<u>Amount</u>	<u>Percent</u>
Municipal funds	\$139.8	59.1%
County funds	50.8	21.5
State aid to public library systems	15.5	6.6
Federal grants	1.6	0.7
Contract income	1.2	0.5
Endowments, gifts, and other income	<u>27.6</u>	<u>11.7</u>
Total	\$236.5	100.0%

4. State funds go directly to public library systems and are intended to fund system services that are required by statute. Such services include interlibrary loans, reference referral, continuing education, services to users with special needs, resource library services, collection development, and multi-type library cooperation. However, systems have the authority to develop programs that meet area needs and support such programs with state aid. State aids are distributed according to a statutory formula based on the amount of state aid each system received in the prior year.

5. The following table shows the level of state aid for public library systems between 1998-99 and 2008-09, as well as the proposal for funding for 2009-11 under AB 75.

<u>Fiscal Year</u>	<u>Aid to Public Library Systems</u>	<u>Percent Change over Prior Year</u>
1998-99	\$13,249,800	3.0%
1999-00	13,749,800	3.8
2000-01	14,749,800	7.3
2001-02	14,749,800	0.0
2002-03	14,196,700	-3.7
2003-04	14,196,700	0.0
2004-05	14,196,700	0.0
2005-06	14,908,600	5.0
2006-07	15,521,200	4.1
2007-08	16,138,000	4.0
2008-09	16,783,500	4.0
2009-10*	17,027,200	1.5
2010-11*	17,543,000	3.0

*Proposed under AB 75.

6. The Governor's recommendation for 2009-11 would increase overall funding for public library systems over the base by \$243,700 in 2009-10 and \$759,500 in 2010-11. The additional aid would be funded from the USF, and the GPR funding in the base would be replaced with funding from the USF.

7. The Governor's recommendation also includes a nonstatutory fiscal change provision to delete \$11,297,400 GPR in 2008-09 and instead provide \$11,297,400 SEG in 2008-09. This provision would improve the ending balance for the general fund in 2008-09. However, because this amount was not appropriated originally in the 2008-09 fiscal year, assessments on telecommunications providers this year are insufficient to cover the additional payment. Because the USF would have insufficient funding for this provision, the PSC would use interfund borrowing authority, provided to the Secretary of DOA under current law, to reallocate available balances from eligible funds in the state investment fund in order to cover the additional outlay in 2008-09. The PSC would then be responsible for levying sufficient charges on telecommunications providers, in 2009-10 or future fiscal years, in order to repay the borrowed funds. Funds that borrow money through temporary reallocations are charged interest at the earnings rate of the state investment fund. In February, 2009, this annualized rate of return was 0.88%.

Library Service Contracts

8. Under current law, the State Superintendent is required to contract for services with libraries and other resource providers in and outside this state to serve as resources of specialized library materials and information not available in public libraries or the Reference and Loan Library maintained by the Department. DPI maintains library service contracts with four providers in order to meet this requirement: the Milwaukee Public Library (MPL), Wisconsin Library Services (WiLS), the Wisconsin Regional Library for the Blind and Physically Handicapped (Regional Library), and the Cooperative Children's Book Center (CCBC).

9. WiLS is a consortium of 500 Wisconsin libraries that coordinates resource sharing and cooperative purchasing among member libraries. Member libraries include the libraries of UW-Madison, private academic libraries, and the Wisconsin Historical Society Library. WiLS and MPL lend materials to all parts of the state in response to requests forwarded by the Reference and Loan Library or public library systems, providing access to major collections for patrons statewide. State contract funds are used to pay for staff to locate, ship, and shelve materials, and for postage to ship materials.

10. The State Superintendent is also required to contract with a public library for the provision of library services to physically handicapped persons, including the blind. DPI contracts with the Regional Library for the Blind and Physically Handicapped, located at the Milwaukee Public Library, which provides specialized services and materials to blind and physically handicapped persons throughout the state. The Library of Congress provides the Regional Library with full-length books and magazines in Braille and on recorded disc and cassette, but the state must provide for processing, maintaining, and circulating these materials.

11. The Cooperative Children's Book Center (CCBC) located at the School of Education at UW-Madison, is a children's literature research library that provides educational and informational services, based on its collections, to children's librarians, teachers, faculty, and researchers statewide. The CCBC receives its funding from the School of Education, and the state contract partially funds its staff and operations.

Universal Service Fund

12. The USF was created under 1993 Act 496, which substantially deregulated the telecommunications industry in Wisconsin. The USF was initially intended to ensure that all state residents receive essential telecommunications services and have access to advanced capabilities such as the Internet. Essential services include: (a) single-party service with touch-tone capability; (b) line quality capable of carrying fax and data transmissions; (c) equal access; (d) emergency services number capability; (e) a statewide telecommunications relay service for the hearing impaired; and (f) blocking of long distance toll services. These programs were designed to ensure telecommunications access for low-income residents, provide assistance to disabled residents, provide safeguards against fluctuations in price, and provide grants to institutions for advanced telecommunications services.

13. Under 1997 Act 27, which established the now-defunct TEACH Board, a USF-funded telecommunications access program was created under TEACH. Now administered by DOA, the access program provides funding to eligible educational entities, including public libraries, to subsidize their access to telecommunications data lines and video links. In addition, Act 27 established a USF-funded program to provide the UW System with funds to reimburse DOA for BadgerNet telecommunications services provided to UW campuses at River Falls, Stout, Superior, and Whitewater. BadgerNet is the state's telecommunications network that transports voice, data, and video statewide. Under 1999 Act 9, a USF-funded appropriation under DPI was created to fund statewide Internet access to periodical and reference information databases as part of BadgerLink, in cooperation with the state's public libraries. Finally, under 2003 Act 33, a second USF-funded appropriation under DPI was created to fund a portion of state aid payments to public library systems, and an increasing proportion of library aids has been drawn from the USF under subsequent budget acts.

14. The following table summarizes the amounts that were appropriated in 2008-09 to the various programs funded from the USF, as well as funding proposed for 2009-11 under AB 75.

<u>Appropriation</u>	<u>2008-09</u>	<u>Governor</u>		
		<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<i>Public Service Commission</i>				
Universal telecommunications service	\$6,000,000		\$5,940,000	\$5,940,000
<i>Public Instruction</i>				
Periodical/Reference Databases (BadgerLink) & Newline for the Blind	2,219,000		2,458,800	2,673,900
Supplemental Aid to Public Library Systems	5,486,100	\$11,297,400	17,027,200	17,543,000
Library Service Contracts	0		1,134,300	1,169,800
<i>Administration</i>				
Telecommunications Access				
School Districts	11,340,700		11,190,700	11,190,700
Private and Technical Colleges & Libraries	5,066,000		5,015,300	5,015,300
Private Schools	701,300		694,300	694,300
Residential Schools	68,200		82,500	82,500
Juvenile Correctional Facilities	102,300		86,300	86,300
<i>University of Wisconsin</i>				
Telecommunication Services (BadgerNet)	<u>1,054,800</u>		<u>1,044,300</u>	<u>1,044,300</u>
Total	\$32,038,400	\$43,335,800	\$44,673,700	\$45,440,100

15. The PSC assesses telecommunications utilities that have annual gross intrastate telecommunications revenues of greater than \$200,000. The amount of the assessment is governed by the total amounts appropriated from the USF, less any carry-over from the prior year. Telecommunications providers are allowed to fully recover their share of assessment costs for USF expenditures through a "pass-through" adjustment applied only to subscribers' local exchange service rates.

16. Including the proposed \$243,700 in 2009-10 and \$759,500 in 2010-11 to increase library system aids, the budget bill would authorize a total of \$44,673,700 in 2009-10, and \$45,440,100 in 2010-11 from the USF. The additional \$11,297,400 for 2008-09 would also have to be levied, although it could be spread out over multiple fiscal years if the PSC so chooses. While USF assessments are viewed as a fee, it could be argued that it is similar to a general fund tax. At \$45 million of annual revenue, the USF assessment generates a significant amount of money, affecting millions of telephone customers, but does not provide a direct benefit or service to those same customers. Therefore, it might be desirable to eliminate this assessment for public libraries and library services, and replace this funding with general fund revenue. This alternative would have the advantage of keeping public libraries on a par with all general fund programs, so that they would compete for resources and receive the same level of oversight as other general fund activities.

17. Given widespread stagnation in property values and concern for controlling property taxes, counties and municipalities that provide the bulk of funding for public libraries might be reluctant or unable to further increase property taxes to replace system revenue if USF funding were to be deleted and no GPR provided in its place. In addition, federal funding under the Library Services and Technology Act (LSTA) would be jeopardized if the state were to reduce its support for public libraries. Under federal maintenance of effort statutes, the state's allotment under LSTA is decreased by the same percentage that state support decreases. (Required state effort is calculated based on the average support provided over the prior three years.) For the purposes of calculating the state's support of libraries, funding levels for library system aid, library service contracts, and BadgerLink are all included. LSTA grants to Wisconsin totaled \$3.0 million in calendar year 2008. Due to the late passage of the federal budget for FFY2009, funding amounts are not yet final for calendar year 2009, but preliminarily, funding is expected to be similar to 2008.

18. In the context of the state's fiscal constraints, it might be desirable to approve the Governor's recommendation to use the USF as a funding source for public libraries. Some have argued that, because public libraries help to provide access to the Internet across the state at no charge to state residents, and libraries benefit from a number of other USF-funded programs, it is reasonable to use USF monies to fund public library systems directly. According to *Wisconsin Public Library Service Data 2007*, published by DPI, in 2007 nearly 4,400 Internet-connected computer terminals were accessible to the public in public libraries, and 65% of libraries, serving nearly 90% of the state's population, offered wireless Internet access. It could be argued that extending the state's current policy of subsidizing libraries with USF monies would help ensure universal public access to the Internet, whilst preserving scarce state tax dollars.

19. As an alternative to the proposed funding level under the Governor's recommendation, funding could be reduced by \$243,700 SEG in 2009-10 and \$759,500 SEG in

2010-11. This would maintain state aid to public library systems at the 2008-09 base level of \$16,783,500, rather than providing increases of 1.5% in 2009-10 and 3.0% in 2010-11.

ALTERNATIVES

A. Public Library System Aids, 2009-11 Biennium

1. Approve the Governor's recommendation to delete \$11,297,400 GPR annually and provide \$11,541,100 SEG in 2009-10 and \$12,056,900 SEG in 2010-11 for aid to public library systems. Total funding would equal \$17,027,200 SEG in 2009-10 and \$17,543,000 SEG in 2010-11. Repeal the GPR appropriation for library aids. Provide that, for the 2009-10 fiscal year, library aids will be calculated based on the percentage change in the total amount appropriated in both the GPR and SEG appropriations in 2008-09 and the amount appropriated in the SEG appropriation in 2009-10, rather than only the percent change in the GPR appropriation as under current law.

2. Modify the Governor's recommendation to restore GPR funding for public library aids. Provide \$17,027,200 GPR in 2009-10 and \$17,543,000 GPR in 2010-11 for aid to public library systems. Provide that, for the 2009-10 fiscal year, library aids will be calculated based on the percentage change in the total amount appropriated in both the GPR and SEG appropriations in 2008-09 and the amount appropriated in the GPR appropriation in 2009-10.

ALT A2	Change to Bill Funding
GPR	\$34,570,200
SEG	<u>- 34,570,200</u>
Total	\$0

3. Delete provision. Base level funding for public library system aid would be retained, totaling \$11,297,400 GPR and \$5,486,100 SEG from the universal service fund, annually.

ALT A3	Change to Bill Funding
GPR	\$22,594,800
SEG	<u>- 23,598,000</u>
Total	-\$1,003,200

4. Modify the Governor's recommendation to convert public library system aids to segregated funding by reducing funding by -\$243,700 in 2009-10 and -\$759,500 in 2010-11, so that total funding would be equal to base level all funds funding. Under this alternative, funding would equal \$16,783,500 SEG annually.

ALT A4	Change to Bill Funding
SEG	- \$1,003,200

B. Library Service Contracts

1. Approve the Governor's recommendation to delete \$1,097,200 GPR annually and provide \$1,134,300 SEG in 2009-10 and \$1,169,800 SEG in 2010-11 in a newly created appropriation for contracts with four providers of specialized statewide library services and resources. Provide that these library service contracts be added to the statutorily enumerated permissible uses for universal service fund revenues.

2. Modify the Governor's recommendation to provide \$1,134,300 GPR in 2009-10 and \$1,169,800 GPR in 2010-11, and delete equivalent amounts of segregated funding in each year. The funding increase recommended in the bill would be retained, equal to \$37,100 in 2009-10 and \$72,600 in 2010-11.

ALT B2	Change to Bill
	Funding
GPR	\$2,304,100
SEG	<u>- 2,304,100</u>
Total	\$0

3. Delete provision, and retain base level funding for library service contracts in the amount of \$1,097,200 GPR annually.

ALT B3	Change to Bill
	Funding
GPR	\$2,194,400
SEG	<u>- 2,304,100</u>
Total	- \$109,700

C. Public Library System Aids, 2008-09

1. Approve the Governor's recommendation to provide \$11,297,400 SEG in 2008-09 and delete \$11,297,400 GPR in 2008-09 for aid to public library systems.

2. Delete provision.

ALT C2	Change to Bill
	Funding
GPR	\$11,297,400
SEG	<u>- 11,297,400</u>
Total	\$0

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