

Budgeting and Finance: *Or, Free Libraries Aren't Cheap!*

Your library board is legally responsible for establishing the library's budget and for practicing good fiscal management. Often, however, much of this responsibility is delegated to the library's director. As an accidental director, one of your first jobs is to find out how much you will be involved with the fiscal management of the library. Here are some questions that you need to ask your board:

- What is the library's budget for this year? (Get a copy!)
- Who receives the bills and verifies that the billed goods or services have been received?
- Who assigns the bills to budget categories?
- Who prepares the monthly financial statement?
- If you are responsible for preparing the financial statement, what format should you use? Are there computer programs or forms that are set up for this purpose?
- Who prepares and signs the checks? (For city libraries, it is often the city clerk or city treasurer.)
- If the fiscal management is handled primarily by someone other than the staff, how is the staff kept informed of the library's financial status?
- Is there a limit set on the size of expenditures that can be made by the staff without pre-approval by the library board?
- If yours is a city library, is there a set limit on the size of expenditures that can be made by the staff without pre-approval of the city?

Knowing answers to these questions will give you a good handle on your library's fiscal situation.

The Library's Fiscal Year

The fiscal year for all public libraries in Idaho begins on October 1st and ends on September 30th of the following year.

- City Libraries: see Idaho Code section [50-1001](#);
- District Libraries: see I.C. § [33-2726](#).

A district library is required to have its budget to the county commissioners no later than the Thursday prior to the second Monday in September [see I.C. § [63-803\(3\)](#)]. A city government is also required to have its total city budget—including the city library's budget—to the county on that day. Each taxing district is required to append a copy of its published budget notification to its budget submission (form L2). Library districts and cities are independent taxing districts. For this reason, a district library submits its own budget to the county, while a city submits its budget, a portion of which is for its public library.

A library district is required to hold a budget hearing before its budget is submitted to the county. A city government is also required to hold a hearing on its budget—which includes the library's budget—before transmitting its budget to the county. The county clerk must be notified of the date and location of the budget hearing no later than April 30th each year. Failure to comply means no budget increase for that year. A city is responsible for notifying the county clerk, while a library district library performs this task for itself. [See I.C. § [63-802A](#).]

Because a city library budget requires the extra step of being approved by the city council, a city library must have its budget request completed earlier than does a library district. If you are running a city library, it is a good idea to ask the city clerk when you should have your budget ready. This will help you to cultivate a good relationship with your city clerk and save you a lot of future headaches.

Given that budgets must be submitted to the county commissioners early in September, the format budget process usually takes place in July and August. To meet these deadlines, you will need to begin thinking about the library's upcoming budget in the spring. So, ask the board to begin discussing the budget in March or April, by outlining the library's service responses for the year beginning on October 1st. A service response is a service or program that a library offers in response to what the community says it wants from its public library. Because a library's annual budget is finite, adding a

program or service often means scaling back or eliminating some other service or program.

Budget information should be collected throughout the entire year. It is wise to maintain a budget file, where you can keep newspaper clippings, notes, and other information about potential changes in operating costs. In this way, you will have all that information together when you need it.

You will also need to find out how the board does its budget. Does the board ask you to present a draft budget, or does it have a budget committee of its own members? It is vitally important that you as the library's director have input into the budget, as you will know the day-to-day operations of the library better than any other person.

Once you know what the board wants to do in the upcoming year, you can begin to develop cost figures. You will need to gather cost information from a variety of sources, such as the present year's expenditures, catalogs, information on utility rates and the cost-of-living rate that appears in newspapers and other sources, and information you gather from service vendors. Remember that in budgeting you are making a series of educated guesses. The more information you have, the better your guesses will be.

Levy Limits. Figuring out potential costs is only one part of the budget equation. The other side is income. For most public libraries, the primary source of income is property taxes. They are called public libraries because they are funded primarily by the public, that is, through taxation. There are limits on the levy rates for library services.

- A district library can set its levy at no more than six hundredths percent (.06%) of market value of taxable property within the library district for assessment purposes.
- A city can levy no more than one-tenth percent (.10%) of market value for assessment purposes OR fund its public library out of allocations from the city's general fund.

Annual Budget Increases. Budgets of taxing districts are allowed to increase 3% each year, with additional funds for new growth or annexation. Raising the budget request and levy above this limit requires a vote at either the May or November election. [See I.C. § [63-802\(1\)\(g\) and \(h\)](#).]

Carryover Authority. Although the library’s fiscal year begins on October 1st, the first large tax payment for the year does not come in until January. This means that, for the months of October through January, your library has little or no tax income. During this period, you will need to use the previous year’s money to “carry you over.” This should be kept in mind in the fiscal management of the library. Generally, you do not want to spend all of your money by the end of the fiscal year. Typically, you should have between one-quarter and one-third of a year’s operating budget still on hand at the end of September. This is what we mean when we say that a public library should think of its budget as covering not 12 months, but 15.

If you are running a district library, the carryover issue is usually not terribly important, as long you remember not to spend all of the library’s money during the fiscal year. And I.C. § [33-2724\(3\)](#) does authorize a library district to carry funds over from one fiscal year to the next.

For city libraries, however, it can sometimes be a bit trickier. While I.C. § [33-2609](#) does state that all funds for the library shall be used only for library purposes, and that the library board shall have control of library expenditures, the city may want you to spend all of the library’s money during the fiscal year ending September 30th and will take care of the carryover period from the general fund. If you do not spend all of the library’s money in such a situation, the city may attempt to take any money that is left over and put it in the general fund. Other cities may want their libraries to be responsible for carrying over money for the period between October and January. It is a good idea to talk to your city clerk about this so that you will know what is expected. It is even better if you can also get the city policy on the carryover period in writing, as city clerks sometimes leave and new ones with different ideas take their place.

Carryover funds in district libraries should be distinguished from a “rainy day account.” There is no authorization in Idaho Code for a “rainy day” or “contingency” account. Aside from the legal aspect, this is not a good idea. Tax dollars should be used for the purposes for which they have been collected. Setting aside money in an undesignated account for future use does not use tax dollars wisely or legally.

There may, however, be legitimate reasons for holding money from year to year. For example, many kinds of building repairs are very expensive, and trying to pay them out of a single year’s budget could mean a severe cut in library services and programs for that year. Money for these repairs, which could include items such as roof, furnace, carpet, or air conditioning replacement, can be saved by library districts in a “Capital

Assets Replacement and Repair” fund. See I.C. § [33-2724\(3\) and \(4\)](#) for conditions and reporting requirements.

City libraries should discuss this issue with the city clerk, as a city library building is city property. The city may have established its own depreciation account for its buildings, including the library. They may also have special account numbers that have to be used for these types of accounts, which are considered “capital” accounts. Failure to follow the city’s accounting procedures may lead to the loss of funds at the end of the fiscal year, so be certain that you are setting these accounts up properly.

Reopening Your Budget. On rare occasions, a library may need to reopen its budget during the fiscal year. This typically happens when the library receives a large amount of unexpected income that must be spent during the year. For example, if the library receives a large grant that must be used within a year, and the total amount of annual expenditures will therefore be greater than the expenditures anticipated in the budget, then the budget must be reopened.

To reopen the budget, a budget hearing must be advertised and held. At this hearing, the whole budget—not just the part that has created the need for the budget hearing—can be reconsidered.

To avoid this type of situation, many public libraries create contingency lines in the income portion of their annual budgets. This way, grant money can be spent in time to meet the reporting requirements of the grant. In addition, any gifts or legacies to the library can be utilized in the current fiscal year. The exact dollar amount of gift and grant income is an educated guess and it may take the board a few years to figure out an amount that will ensure spending authority during the fiscal year.

Usually, it is not a problem for a library district to reopen its budget. See I.C. § [33-2725](#) for more information. The district is required to advertise a budget hearing for this purpose, just as it would for its annual budget, and this will incur the expense of giving legal notice in a newspaper. There is usually no additional cost in reopening the budget.

Reopening the budget can be a major problem for a city library. This is because it will not be just the library’s budget that will be reopened, but the entire city budget. In reopening the library’s budget, the city council may have to deal with all kinds of other budget questions on things like streets, police, and garbage collection. Needless to say, this can be a real inconvenience that the city does not like to deal with. If the library has not built gift and grant income into its budget, the library may be obliged to wait until

the new fiscal year to spend it. This problem can be avoided by guessing high on the library's income and expenditures in its annual budget. This will require a thorough explanation in the library's budget notes and in the board's presentation of the library's proposed budget for the upcoming fiscal year.

Audits. Library districts may be required to have an annual or biennial audit, depending on its expenditures. Since legislation may change over time, see I.C. § [67-450B](#) for requirements.

Central Registry. Effective January 1, 2015, taxing districts—including library districts—must report financial and other information to the Legislative Services Office via the [Local Governing Entities Central Registry](#). There are financial penalties for failure to comply. See I.C. § [67-450E](#) for details. City libraries are not required to do this, as the city—not its public library—is the taxing district.