Increasing transparency and understanding in public library finances

The Indiana General Assembly established the system used by libraries and other government units for budgets, tax levy and reserves. Public Libraries follow the law and guidance provided by the Department of Local Government Finance (DLGF) and State Board of Accounts (SBOA). Guidance includes provisions for reserves for maintenance, emergencies, and capital improvements. Rainy Day and Library Improvement Reserve Funds (LIRF) are critical to libraries’ fiscal stewardship of taxpayer funds and taxpayer-owned assets.

What are the issues?
Legislation passed in the 2019 session intended to create a public transparency process for library reserves and unintentionally created more confusion for fiscal bodies, taxpayers and libraries. See sidebar for details.

What is Indiana Library Federation’s position?
Indiana Library Federation (ILF) advocates for transparency in budgeting and that libraries should maintain responsible reserves to protect taxpayer assets. ILF supports legislation that clarifies language of HEA1343 from the 2019 session so that fiscal bodies, taxpayers, and libraries understand and may implement the law. ILF seeks to clarify the fiscal body, the 150% cash over budget calculation, and the period the threshold criteria is applied. **Specific proposed changes include:**

- The budget-adopting fiscal body, rather than the fiscal body that established the library, would be the fiscal body with option to invoke binding review if certain criteria are met.
- The 150% threshold is calculated based on the cash balance (as reflected in the December 31 report to the State Board of Accounts on the Annual Financial Report) as a percentage of certified budget for tax dollars for the ensuing year.
- Binding review, if invoked, would only remain in effect for the period where the cash balance as a percentage of budget exceeds 150%.

What is the potential impact?
Conversations between libraries and fiscal bodies about reserves help policymakers and taxpayers understand the care libraries take to steward taxpayer funds and assets. When taxpayers pay for the building, they expect that the building will be maintained appropriately with responsible reserves.

Unintended consequences of legislation passed in 2019
HEA1343 includes language that confuses the fiscal body that established a library with the fiscal body that adopts budgets.

HEA1343 created a confusing threshold calculation unlike any used for other units of government. For example, HEA1777 applies to townships “if the total amount of funds in a township’s capital improvement funds exceeds: (1) 150% of the township’s total annual budget estimate; and (2) $200,000.” In contrast, HEA1343 applies if “cash on hand plus its anticipated revenues is greater than 150% of the public library’s budget.”

HEA1343 allows a fiscal body to continue binding authority after the criteria no longer applies.
How reserve funds help sustain libraries
During emergencies and economic downturns, libraries rely on reserve funds. Unlike units of government like schools or jails, libraries may not levy for cumulative funds. The annual library budget and levy supports *annual operating expenses*. Responsible libraries will budget Rainy Day funds and LIRF to handle expected repairs and replacements of HVAC units, roofs, carpet, and elevators, as examples. Reserve funds and saving are much preferred over increased tax rate, new debt, and interest payments borne by taxpayers.

How public libraries compare with local units of government
Indiana’s public libraries are careful stewards of the $.04 of the property taxpayer’s dollar they receive. The level of transparency for libraries is far beyond the transparency for other units of government. For example, county and city departments are not required to submit every expenditure for review and approval, as required for libraries.

How property tax caps impact public libraries
In communities where property owners have hit the tax caps, libraries are disproportionately impacted by tax cap loss. The tax caps pit units against each other, and arcane state law requires libraries to request the maximum levy in order to secure needed Local Income Tax (LIT) funds. The public library receives, on average, 23% of its budget from LIT. Indiana Library Federation has lobbied to change the LIT law for more responsible and transparent budgeting.

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Libraries Transform® Indiana
Indiana Library Federation believes that libraries, with all of their modern amenities and innovations, are a smart investment, with the potential to transform communities and create a passion for lifelong learning.

Our approach to advocacy
- Indiana Library Federation is a statewide nonprofit association that is dedicated to advancing library services for the benefit of Indiana residents.
- Indiana Library Federation is nonpartisan and reflects the core values of the library field, including lifelong learning, freedom of ideas and civil discourse.
- Indiana Library Federation monitors public policies that affect all types of libraries and the people who work in and support them. ILF engages its members and stakeholders to be positioned for action in library advocacy.

Indiana’s public libraries by the numbers*
- 236 public libraries
- 426 library branches
- 25 bookmobiles
- 85,016 children’s programs
- 2,186,889 children’s program attendance
- 13,474 young adult programs
- 149,778 total programs
- 3,280,838 total program attendance
- 30,836,051 total library visits per year

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