



## **HB1343, Libraries (as passed out of the House, 2/21/19)**

[HB1343](#) provides that, in the case of a public library outside Marion County, the fiscal body of a city, town or county that established a public library the governing body of which is not comprised of a majority of officials who are elected to serve on the governing body may adopt a resolution to require the public library to submit its proposed budget and property tax levy to the city, town or county fiscal body for binding review and approval in the same manner that is required under current law if the public library's budget is increasing faster than the assessed valued growth quotient. (Current law requires binding review and approval only if the library's budget is increasing faster than the assessed value growth quotient.)

The fiscal body may not reduce a public library's proposed operating budget greater than the percentage reduction of any other taxing unit's operating budget. A resolution adopted under this law would remain in effect until repealed by the fiscal body.

### **What this means in plain language**

The Council may pass a resolution to require binding budget review and approval. The Council may reduce the library's budget or property tax levy at a rate similar to any other taxing unit overseen by the Council (i.e. fire protection district, TIF district, airport authority, sewer district, solid waste districts, conservancies, school boards with appointed boards, and special districts).

### ***HB1343 in the legislative process:***

- HB1343 was first heard in House Local Government Committee on Jan. 31, where the original bill required binding review for all libraries.
- After hearing concerns during the first hearing, the Local Government Committee on 2/14 amended the bill to make binding review and approval optional for the elected fiscal body. The committee passed the amended HB1343 out of committee with a vote of 6-5.
- Hearing concerns that a council could zero out a library's budget, the bill was amended on second reading on 2/18 to limit any budget reduction to a percentage not greater than the percentage reduction to any other taxing unit overseen by the fiscal body.
- The amended bill passed out of the House on 2/21 with a vote of 62-34. See [vote count](#).

## **ILF's Response (updated 2/22/2019)**

**Legislator Interactions** – First and foremost, it is critical to maintain positive, working relationships with legislators. Certain legislators are responding to concerns expressed by taxpayers or other elected officials in their districts. Library budgets are complicated, with similarities and differences to other government units. Libraries budget in accordance with the law and guidance from DLGF and SBOA.

**ILF Position** – ILF sincerely *appreciates the amendments to HB1343 in response to our concerns*. However, we *continue to oppose binding budget review and approval for the library budget*. Current law and rules provide processes for addressing local issues. This bill enables a council to subvert the authority of other elected bodies in a community or across a jurisdictional boundary, allowing one appointing body to cut a budget and levy set by a library board comprised of appointees from multiple elected bodies. Current law provide levels of public input, review and reporting for library finances. We agree that taxpayer stewardship, accountability and transparency are paramount. We look forward to working with legislators on a solution that works for all communities.

**Next Steps and What You Can Do** - As the bill enters the Senate, ILF will explore ways to address legislators' and our concerns through a mutually agreeable solution. We encourage libraries to *share how YOUR library budget process provides transparency and accountability for taxpayers*. Share your capital improvements plan for your Library Improvement Reserve Funds (LIRF). Meet with your Senator, if possible.

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## Helpful background information and key talking points

### Current law and rules provides processes for addressing local concerns.

The House-passed bill:

- raises additional concerns about **subverting authority of other elected bodies** that appoint to the library board. Many library boards include appointees from Council (2), Commissioners (2), School Boards (3), the appointing bodies varying depending upon how many jurisdictions are within a library district.
- **disenfranchises certain taxpayers and communities** where library districts overlap many jurisdictions. Several library districts cross county lines, expanded beyond a city or township into townships.
- intensifies an **inherent conflict of interest** in areas where the tax caps are in play, as it would benefit the council to reduce the library budget. Libraries, on average, are \$0.04 of the average property tax dollar (see [DLGF](#)).
- **feels punitive and uneven.** Currently, appointees from multiple elected bodies work collaboratively to execute library services and fiscal authority. This proposal would allow a council member with an agenda to require binding review and reduce library funding against the wishes of the other elected bodies with appointing power.

### Our originally expressed concerns are summarized below.

- **Library Boards are appointed by, and can be removed by, elected bodies.**
- **Information on Gateway requires context.** The financial information contained in reports on Gateway provides a level of transparency, but does not tell the complete story.
- **Current law and processes provide multiple levels of accountability and transparency for libraries.** Libraries are required to follow budget and audit processes by Department of Local Government Finance (DLGF) and State Board of Accounts (SBOA) just like counties and other units of government. All important decisions must be reviewed and approved at public meetings, including library policies, salaries, budgets and monthly finances. Reports are available online at [Indiana Gateway](#) and [Indiana State Library](#).
- **Libraries take their fiscal responsibilities seriously.** According to the law, libraries may not levy for cumulative funds as other units do (i.e. cumulative funds for schools, jails, cemeteries, etc.). Libraries may only levy for operating budget. Libraries maintain a Rainy Day Fund and a Library Improvement Reserve Fund (LIRF), which may be used to fund maintenance and capital improvements of HVAC units, roofs, carpet, building expansion, etc. Funds are used without requiring an adjustment to the tax rate, new bonds or additional debt and to sustain during economic downturns.

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The following pages provide detailed talking points.

With specific questions, please contact one of the public library director members of [the ILF Advocacy/Legislative Committee](#) or [Lucinda Nord, ILF executive director](#), at 317-257-2040 or [exec@ilfonline.org](mailto:exec@ilfonline.org).

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## Background on Library Organizational Structure

Historically, libraries in Indiana have existed since the establishment of the state, but without sustainable funding until the early 1900s when library laws were written to allow for sustainable funding through the levy of property taxes for libraries. Prior to that, libraries fell under the counties (Constitution of 1816, Article IX) or townships (1860s) without measures to annually fund them. Libraries have always existed in Indiana in order to provide life-long learning opportunities essential to maintaining a democracy.

## Appointed Boards for Public Libraries

Periodically, someone raises the question of whether public library board members should be appointed—as is current law—or elected. Under current law, IC 36-12-2-7 through IC 36-12-2-17, public library board members are appointed by elected bodies within and representative of their library district. Most public library boards are comprised of seven members, though four county contractual libraries have an additional four members. Appointing authorities vary depending upon the formation of the library district and are usually elected offices such as the county or municipality executive, the county fiscal body (council) and school boards or corporations. Elected offices make appointments to library boards, whose members serve voluntarily, are unpaid and may serve up to four, four-year terms (16 years). Library boards set library policies, approve the budget and have fiscal responsibility, hire and evaluate the library director and oversee library planning.

In providing this governance structure for libraries, the Indiana General Assembly has kept library operations under library board oversight and as far as possible outside the political sphere of government. The independent authority granted to public library boards is intended to protect the historic role of the public library as a source of unbiased information. ILF historically has advocated for the continuation of appointed boards, citing the importance of volunteers who guide policy based on service to mission and community rather than based on political goals.

While some will make the case for elected boards, one should remember that even elected boards deal with many of the same issues on transparency, finances, communication with public, etc. Appointing bodies can replace ineffective board members.

## Information on Gateway requires context

- [Indiana Gateway for Governments](#) provides Indiana taxpayers access to a range of reports about units of government, including budgets, operating and reserve funds and compensation of public employees. The financial information contained in reports on Gateway provides a level of transparency, but does not tell the complete story.
- Property tax disbursements, the primary source of revenue for most public libraries, are made twice a year, so if the “snapshot” is taken at disbursement, the amounts appear artificially higher, not recognizing that the library will spend down funds over six months.
- Information on Gateway does not include information from long-range plans which are submitted to, and approved by, the Indiana State Library as a part of Public Library Standards (IC 36-12 and 590 IAC 6). Long-range plans may include plans for facility maintenance, capital improvements and special initiatives.
- According to the law, libraries may not levy for cumulative funds as other units do (i.e. cumulative funds for schools, jails, cemeteries, etc.). Libraries may only levy for operating budget. Libraries maintain a Rainy Day Fund and a Library Improvement Reserve Fund (LIRF), which may be used to fund maintenance and capital improvements of HVAC units, roofs, carpet, building expansion, etc. Funds are used without requiring an adjustment to the tax rate, new bonds or additional debt and to sustain during economic downturns.
- Compensation reports do not include the length of tenure or job duties of an employee. For example, Public Library Standards requires a ratio of staff who hold a Master’s of Library and Information Science for the library’s population served. A certain number of masters-level librarians are employed in management positions. The managing librarians in a public library may be comparable to the managers in a unit or the principals in a school system. The public library director may be comparable to a superintendent. Public Librarians and library staff generally are compensated at or below those in school systems, work more days each year and are required to work night and weekend shifts.

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## Public Library Transparency and Accountability

Current law and practices provide transparency and accountability for public libraries, their budgets, revenues and expenditures and policies. Libraries are highly regulated through the Indiana Code (IC 36-12) and the Indiana Administrative Code (590 IAC 6). One could argue that public libraries are more transparent by nature and more aware of the need for transparency because, as the cornerstone of democracy, libraries inform and help the public navigate local governments.

- **Appointed by Elected Officials** - Library Board members are appointed by elected bodies, and thus may be removed if the board members are not performing their duties, as desired by the elected body.
- **Open Door compliance**— Libraries comply with open door laws.
  - All Library Board meetings must be posted and open to the public (with exception of executive session as allowed by law) and with minutes kept and available to public, etc.
  - Policies must be approved at public meetings.
  - Salaries must be approved at public meetings and reported to county and state, etc.
  - Finances are reviewed and approved at public meetings.
- **Budget processes** –
  - Libraries follow budget processes by State Board of Accounts (SBOA) and Department of Local Government Finance (DLGF) just like counties and other units of government.
  - Some might argue that library efforts are more transparent given that budgets and reviews are done independently and not as a department that may be buried in a county budget.
- **Public bids and bond processes** –
  - Libraries go out for public bids when conducting building projects.
  - Sometimes libraries will borrow money or sell bonds, which is a very public process by requirements.
- **Long-range planning** - Libraries are required to submit a long-range plan every 3-5 years for approval by the Indiana State Library as a part of public library certification. Public Library Certification processes are outlined in Indiana Code (IC 36-12) and in Indiana Administrative Code (590 IAC 6).
- **Audits and Reporting**
  - All libraries complete annual reports to the State Board of Accounts and to the Indiana State Library and those reports are available online at [Indiana Gateway](#) and [Indiana State Library](#).
  - All libraries are audited by the State Board of Accounts.
  - One could argue that the levels of transparency are far beyond other units of government, as county or city departments do not have every expenditure for review and approval, as required for libraries. No matter what entity has binding authority over a library budget (whether county, township, city), it is in their best interest to reduce the libraries' budgets so that more revenues come to them - revenues including income tax and/or property taxes. With a reduction in property taxes for one unit, the other units gain (because of property tax caps).

**Taxpayer Stewardship and Budget Frugality** – Libraries are good stewards of taxpayer funds.

- Good leadership and stewardship shares more information than is required by law – regardless of whether a library, a county, a city, etc. Good leadership seeks input and welcomes questions. A board can require additional information, and appointing bodies can replace ineffective board members.
- Unlike some other units of government that feverishly spend at the end of a fiscal year because of a “use- it- or-lose-it” budget, the law enables frugality and financial preparation for the future by allowing unspent funds to be placed into a Rainy Day or transferred to a Library Improvement Reserve Fund (LIRF).
- Unlike some other units of government that rely on bonds and new debt, Rainy Day and LIRF funds can be saved over time to enable facility maintenance or capital projects without requiring an adjustment to the tax rate or a new bond or debt.
- Long-time library directors and boards remember the delayed assessment that delayed release of funds in (2002-2004) and the recession (2008-2011) when tax revenues declined. Libraries with reserves were able to borrow against or use reserves rather than going to a bank or laying off staff or closing libraries.

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