

To: Division Presidents  
Division President Elects  
Division Executive Directors

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### **The ALA Operating Agreement, Divisions and Overhead/Indirect costs: An overview**

One of the fundamental assumptions of the Operating Agreement, which was established as ALA policy in 1989 and which governs the relationship between ALA and the divisions, is that ALA is one Association, and that the revenues generated by the ALA units would help support the overall mission, strategic goals and operation of the Association. This includes:

- **Basic Infrastructure** – some examples include facilities, utilities, finance, human resources, computer systems, legal services, obligations to ALA retirees.
- **Mission-related programs serving libraries, librarians and the public** – some examples include the Washington Office, Office for intellectual Freedom, Office for Diversity, Literacy and Outreach Services and Development Office.

In the case of the divisions, the mechanism by which this shared responsibility for supporting the association as a whole is contained in section C of the operating agreement. Under this section, an **overhead rate** is calculated each year. This overhead is applied to all revenue generated by ALA publishing and ALA conferences and certain revenue generated by the divisions. The method of calculating this overhead rate was established through an operating practice as specified in the operating agreement. The operating practice for the overhead rate calculation dates back to 1989.

Each year the overhead rate is calculated using the actual allocation of the direct costs outlined in attachment A to ALA Publishing and the ALA Annual Conference and Midwinter Meeting, and calculating that as a percentage of the gross revenue from those two functions. This allocation of direct costs is generally related to number of staff as a percentage of overall ALA staffing (for example, if ALA Publishing employed 30 % of ALA staff, it would be allocated 30% of human resources costs). In order to allocate costs as accurately and fairly as possible, the formula is very specific for each component - and as a result very complex.

Attachment A shows a listing of those direct costs that are used in calculating the overhead cost each year for 2015. It should be noted that the direct costs listed do not include all of the ALA services listed in section C. Under the operating practice, only infrastructure cost are allocated. Not included in the calculation are the Washington Office, the Intellectual Freedom Office, the Office for Diversity, Literacy and Outreach Services, the Office for Library Advocacy, the Development Office, the Office for Accreditation and others.

The resulting overhead cost rate calculated based on ALA Publishing and the ALA Annual Conference and Midwinter Meeting is then assessed against all revenues from those departments. In the case of divisions, dues are exempt from overhead and division publications, including online continuing education, are assessed at one half of the overhead rate as specified under the operating agreement. Attachment B compares the direct infrastructure costs allocated to each division using the formula and the overhead contributed by each division for 2014 and 2015. In most instances, the overhead contribution is lower than the infrastructure costs.

Underlying this arrangement is recognition of the essential contributions that the divisions make to the mission and strategic goals of the association, and to member value and engagement. This is reflected in the preamble of the operating agreement:

“By this commitment, expressed in publications, conference programming, advisory services, and other educational activities germane to their mission statements, the Divisions serve the American Library Association as a whole. By supporting Division operations through the provision of space and services, ALA gives tangible evidence of its recognition of the importance of Divisions in meeting the needs of its members. “