INTRODUCTION
For the first time, the 2007 Public Library Funding & Technology Access Study asked libraries about funding of public access computing services. Libraries were asked to report what services were paid by state agencies on their behalf, as well as what they spent and from what sources the funding was derived (local, state, federal, fines/fees, grants, etc.). This level of finance detail does not exist in other national library data collection initiatives, and represents the most current fiscal year actual and projected available on a national basis.

These data, however, were gathered in a context provided by annual surveys by the National Center for Education Statistics (NCES) and a 2006 report by the ALA on funding issues in U.S. public libraries.

The ALA study determined that libraries experienced significant reductions in fiscal years 2003, 2004, and 2005. During these three years, public library services continued and, in some instances, increased despite flat or reduced operating budgets. A vast majority of public libraries had stagnated or reduced buying power as a result of level funding coupled with increasing staff and utility costs.

The 2006 report also revealed that libraries serving more than 500,000 and fewer than 25,000 people saw the greatest midyear funding cuts. About 80 libraries serve communities over 500,000 and more than 7,200 libraries serve communities under 25,000.

The study also found that libraries in the West and Midwest sustained greater cuts than their counterparts in the South and East. Little relief was anticipated for our smallest public libraries in the West and Midwest – 48 percent experienced reductions in fiscal year 2003, 35.8 percent in fiscal year 2004, and 34.5 percent in fiscal year 2005. Nearly 20 percent of Northeast libraries indicated budget reductions in fiscal year 2004, up from 12 percent in fiscal year 2003.

Looking ahead to fiscal year 2006, 58.2 percent of public libraries anticipated funding to remain about the same, and about 32.4 percent anticipated some improvement in local tax revenue. Approximately 9.4 percent of libraries anticipated more reductions.

FUNDING LIBRARY PUBLIC ACCESS COMPUTING SERVICES
This year’s Public Library Funding & Technology Access study picked up from and went further than the 2006 ALA study. Providing this detailed fiscal data was no easy task for public libraries, and the drop off in responses from the connectivity portion of the study to the funding portion was telling.

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As a result, there are caveats to reviewing and using these data that must be understood. First, this was the first year libraries were asked for any detailed operating budget or expenditure data about technology-related expenditures. Given this, any amount of detailed reporting was a challenge. In this first attempt, most libraries were able to report current total fiscal year expenditures for traditional broad categories – staffing, collections and “other.” It was far more difficult for libraries to report detail on technology-related expenditures and to parse those expenditures by funding sources. The increased difficulty in reporting detailed revenue and expenditures occurred for a few reasons that can be summarized into three key areas: local fiscal reporting requirements, library legal basis (e.g., city/county, municipal government, library district, etc.), and time.

Another caveat comes with comparison of these very timely fiscal data and those reported through longitudinal national library data collection efforts, specifically those of NCES. Understanding previous revenue and expenditure trends is important in grounding the fiscal data collected in this study and national averages from NCES annual public library reports are used whenever appropriate.

**Operating Expenditures**

Distributions for overall expenditures (e.g., staff salaries, collections and other expenditures) by revenue source reported by libraries for fiscal years 2006 and 2007 align somewhat with national averages – more so with fiscal year 2007 estimates than with actual fiscal year 2006. When scrutinized by metropolitan status, expenditure distributions by type align most closely for rural libraries; suburban and urban libraries fiscal year 2006 reporting was skewed significantly to staff expenditures and far less to collection and other expenditures. This may be explained by unencumbered collection expenditures for these larger libraries, where end of fiscal year collection purchases are not uncommon. This was not the case when estimating for fiscal year 2007, where estimates aligned almost exactly with national trend data.

These data also offer insight into how other sources of revenue are used to support library operations. Libraries applied fines/fees and donations to “other” expenditures by nearly a two-to-one ratio. In estimating for fiscal year 2007, libraries reported a significant increase in fines/fees being applied to “other” expenditures. If this projection holds true, it suggests that libraries may not be in a position to rely on local tax support to fund technology, but are relying on fines, fees and fundraising to provide what have become basic library services.

Overall expenditures by revenue source also skewed for fiscal year 2006 toward local funding sources and noticeably away from state or federal revenue. Again, this is less the case with fiscal year 2007 estimates and may be explained by libraries not having fully reconciled current fiscal year expenditures. The study team will look closely at financial data reported in the coming study to see if similar anomalies appear when actual fiscal year 2007 data are reported compared with estimates provided in the previous year.
Nationally, rural libraries report spending about 60 percent on staff, just less than 16 percent on collections, and about 24 percent on other expenditures. The data reported in this study align almost exactly for both fiscal years reported – 60 percent on staff, 14.6 percent on collections, and just more than 25 percent on other expenditures.

Suburban libraries historically have spent slightly more than 66 percent on staff, 13 percent on collections and slightly more than 20 percent on “other” expenditures. Distributions reported in this study for fiscal year 2006 were skewed heavily to staffing and away from collections and other expenditures. Fiscal year 2007 estimates, however, were very closely aligned with national data. Although categories of expenditures aligned, estimates by funding source were skewed from national trends in fiscal year 2006. Local funding was reported at 10 percentage points higher than national trends. Expenditures by funding source aligned more closely with national trends for fiscal year 2007 estimates, with slightly more expected to come from local sources and less from other sources, such as fines, fees, donations and grants.

Urban libraries historically spend about 65 percent on staff, 13 percent on collections, and 21 percent on other expenditures. They also spend approximately 81 percent from local sources, 9 percent from state, 0.5 percent from federal, and about 9 percent from “other” sources of funding. Figures reported for both fiscal years were skewed away from national trends in all categories except federal funding, and the most significant skew was in local/county funding.
sources. Urban libraries reported expenditures from local sources at 89 percent in fiscal year 2006, and an estimated 85 percent in fiscal year 2007. Researchers in this study will be looking very closely at future responses from urban libraries compared with national reporting patterns to determine if any significant shifts are occurring nationally. As a result of this anomaly, data reported by urban libraries in this study should be used with caution.

**Technology-Related Expenditures by Revenue Source**

Libraries were asked to report, to the best of their ability, technology-related expenditures by sources of library operating revenue. This is complicated because so much of library operating revenue comes from local sources, and because libraries aggregate expenditures by type rather than by source of revenue. The reason for asking expenditure detail by funding source was to determine how much of “other expenditures” (those other than staff and collections) are paid from local, state, federal or other sources of library operating revenue. It has long been assumed that “other expenditures” was the catch-all for technology-related expenditures. Also, this study attempted to collect detail of staff assigned to technology-related services.

Careful attention must be paid when examining or reusing these responses because of the overall low response to the technology expenditures questions. For instance, response to the fiscal year 2006 broad finance questions ranged between 2,423 and 6,230, and responses to the technology finance questions ranged between 1,858 and 4,053, representing a decline in responses of between 23-35 percent within the finance questions. With this caution, the data reported are useful because they have never before been reported at this level of detail.

| Figure B: Percentage Technology-Related Expenditures by Metropolitan Status and Fiscal Year |
|---------------------------------|-------|-------|-------|-------|
|                                 | Staff | Hardware | Software | Telecommunications |
| FY 2006                         |       |          |          |                   |
| All                             | 49.5% | 24.5%    | 11%      | 14.8%             |
| Rural                           | 48.0% | 26.0%    | 11%      | 14.0%             |
| Suburban                        | 52.0% | 24.0%    | 13%      | 11.0%             |
| Urban                           | 43.0% | 27.0%    | 10%      | 20.0%             |
| FY 2007                         |       |          |          |                   |
| All                             | 47.5% | 21.0%    | 14%      | 17.6%             |
| Rural                           | 49.0% | 24.0%    | 13%      | 14.0%             |
| Suburban                        | 51.0% | 18.0%    | 19%      | 12.0%             |
| Urban                           | 39.0% | 24.0%    | 11%      | 26.0%             |

Libraries reported spending nearly 50 percent on technology staff, about 25 percent on hardware, 11 percent on software, and about 15 percent on telecommunications for technology-related expenditures in fiscal year 2006. Estimates for fiscal year 2007 were only slightly different, with more expenditures projected to go to software and telecommunications than for staff and hardware. Interestingly, distributions by funding source for technology-related expenditures
closely matched national averages of local and state funding, but exceeded national averages for federal and expenditures from “other” sources. For fiscal year 2006 technology-related expenditures, libraries reported funding from local sources at about 77 percent, 8.6 percent from state, 2.6 percent from federal, and 10.8 percent from other revenue sources. By comparison, national fiscal year 2004 estimates of library operating revenue by sources were 81.5 percent local, 10 percent state, 5 percent federal, and 8 percent other.7

This study also was able to gather detail of the “other” revenue sources applied to technology-related expenditures. Libraries estimated about 1 percent of revenue come from fines/fees, 4.3 percent from donations, and 5.5 percent from grants of all types (local, state, or national programs) in fiscal year 2006, about as much as comes from state and federal support. Fiscal year 2007 expenditure estimates by funding source were similarly distributed, although fines/fees and other donation estimates were slightly lower than actual expenditures reported in fiscal year 2006. What is unfortunate about these estimates is that they support the hypothesis that non-tax revenue sources are paying for a portion of basic technology-related library services.

Technology-related expenditures by revenue source were further stratified by metropolitan status and poverty. As with data reported historically by public libraries in the NCES annual studies, distributions shifted for all funding categories when viewed by metropolitan status. Therefore, the distribution of technology-related expenditures indicates that libraries are spending about the same proportion of operating revenue for these services regardless of metropolitan status. Figures 53-65 provide complete data reported for fiscal years 2006 and 2007.

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About 67 percent of rural library funding comes from local sources, almost 23 percent less than was reported by all libraries in fiscal year 2006. Fifteen percent was spent from state sources (about 7 percent more than reported by all libraries); slightly more than 2 percent from federal funding; and 15.5 percent from “other” funding sources (about 5 percent more than the average) for this period. This disproportionate funding, however, is supported by historical national averages of operating expenditures reported by rural libraries as compared with suburban and urban libraries. Rural libraries also reported relying heavily on grants and donations, 9 percent and 5 percent, respectively.

In fiscal year 2006, rural libraries devoted about 48 percent of their technology budgets for staff, 26 percent for hardware, 11 percent for software, and about 14 percent for telecommunications expenditures. Knowing the funding challenges faced by rural libraries, this information further highlights the need for stronger local tax support for basic library services in these communities.

Compared with the overall expenditure distributions, suburban libraries spend slightly more on staff and hardware, and about the same on software and telecommunications as all other libraries. When considered by revenue source, in fiscal year 2006 suburban libraries spend about 84
percent from local/county, 6 percent from state source, one-seventh-of-one percent from federal sources, and nearly 10 percent from other sources of revenue. There was little difference between fiscal year 2006 technology-related expenditures and those projected for fiscal year 2007. The expenditures by funding source also align closely with those historically reported by suburban libraries, with only slight variation in state support. Overall, suburban libraries report about 10 percent of operating revenue coming from state sources, but only about 6 percent of state funds are used for technology-related expenditures. Suburban libraries reported using state funding more often for staff than “other” expenditures, almost two-to-one. Not surprisingly, suburban libraries pay less than rural libraries for telecommunications and use nearly 60 percent less in state support for those expenditures than do rural libraries. Telecommunications costs in suburban communities are primarily supported from local funding sources.

Suburban libraries reported spending about 52 percent of their technology budgets on staff, about 24 percent on hardware, 13 percent on software, and 11 percent on telecommunications.

![Figure F: Technology-Related Expenditures by Funding Source, Urban Libraries Fiscal Year 2006](image)

Not unlike rural libraries, urban libraries also see less support for technology expenditures from local and state funding. Urban libraries reported that in fiscal year 2006 about 69 percent of technology-related expenditures came from local funding, 12 percent from state sources, 6 percent from federal, and nearly 13 percent from other sources. Similar distributions are anticipated for fiscal year 2007, with slightly more funding coming from local sources than in 2006. Also like rural libraries, urban libraries benefited from grants – about 9 percent of revenue came from grants and was spent on staff and hardware.

Not surprisingly, urban libraries reported a larger proportion of expenditures going to telecommunications than did rural and suburban libraries. Increased expenditures for urban libraries represent more capacity for more users (higher connection speeds for more computer workstations). The converse is true for rural libraries, which pay more for fewer users because of their geographic isolation. Urban libraries also reported greater state support than did other
libraries, about $136,000 compared with $17,000 to suburban and $7,000 to rural libraries. This may be explained in part by state aid programs based on population.

Urban libraries reported spending about 43 percent of its technology budget on staff, 27 percent on hardware, 10 percent on software, and 20 percent on telecommunications in fiscal year 2006. Estimates for fiscal year 2007 are only slightly different, with estimates on staff expenditures being about 4 percent less and costs for telecommunications being about 6 percent more.

**CHALLENGES REPORTING DETAILED DATA**

For the most part, libraries were able to report operating budget information about technology-related services, as well as current fiscal year and projected next fiscal year estimates. Some drops in reporting specific expenditures, such as hardware and software, did occur. This can be explained in a few ways: the first is the library did not incur nor anticipate such expenditures; the second is that they could not provide the level of detail for the purchase because of local accounting procedures or insufficient time to determine the expenditures (Figures 37-38).

Local fiscal reporting requirements was the single most common reason libraries were challenged in reporting detailed budget or expenditure data for technology related expenses. Local accounting practices may prevent libraries from understanding detail of both operating revenue and from what sources expenditures are made. In many cases it was reported that the operating revenue was aggregated into a single operating budget – most typically local/county - and libraries were unable to get reports with the level of detail requested from this study.

Knowing where operating revenue originate also impacted the library’s ability to accurately report whether the state paid for technology based services directly. As Figures 35 and 36 in the study findings shows, more than 50 percent of libraries were unable to report if the state library or another state agency paid directly for a range of technology services. In only one instance, licensed resources (such as full text periodical databases), were libraries more likely to know if the state provided these services. This is explained by the fact that some states pay directly on behalf of the library so no revenue actually flows to the library operating budget. Library’s inability to report whether the state support technology-related expenditures raises concerns, especially when the study also found a number of statewide telecommunication networks in place. Libraries lack of awareness of state support for these services is an area of concern for the researchers of this study.

Reporting fiscal information was somewhat easier for independent libraries that managed its budget directly, and for libraries with in-house fiscal officers. However, it is common that the legal basis of the library is a part of local government thereby putting its financial records administration outside of the library. Without ready access to recent fiscal year reports, libraries were less likely to provide detail on revenue by source or expenditures by type. Regardless of legal basis, libraries could readily provide the aggregated revenue and expense figures for the current fiscal year, but had difficulty providing anticipated operating budget figures.

The third reason noted by libraries was time. Spending time tracking down fiscal information from people outside the library was considered too time consuming for respondents. Library
response rates dropped by more as much as 35 percent when finance questions delved more deeply than the broad staff, collections and other expenditure categories (Figures 53-66).

Considering the three most prevalent causes for the drop in response to the finance questions section of the study, one must still ask “How well are libraries able to plan for technology related expenditures when they cannot report what they are spending?”
CONCLUSIONS

Libraries rely as much on other sources of revenue as they do state and federal to pay for technology-related expenditures

One of the most significant findings was how much libraries are relying on fines, fees, donations and grants to support technology-related expenditures. Although local/county funding sources were the greatest source of revenue (about 78% in fiscal year 2006), many libraries reported spending almost as much from “other” revenue sources as they did state and federal support (about 10.8 percent and 11.6 percent, respectively). In fact, libraries reported applying “other” revenue sources to the purchase of hardware. Whereas about 19 percent of local funding went to pay for hardware, nearly 56 percent of “other” funding did. Without these “other” sources of revenue, libraries would be unable to upgrade or replace existing computers as needed, impacting technology planning and replacement schedules.

Expenditures continue to shift from collections to staff and “other” expenditure categories

As was discovered in the 2006 ALA funding study, libraries have patterns of shifting expenses away from collections to cover increased expenditures in staffing, utilities, library programs, and technology. Once shifted, it is difficult to regain that revenue. In this study, libraries repeatedly reported that costs of hardware and telecommunications prevented them from adding more computers and offering faster connection speeds. improving technology-related services. Recognizing the inflexibility of some infrastructure operating expenses – staffing and utilities – it is not surprising that libraries rely heavily on “other” sources of revenue to pay for technology-related services. When infrastructure expenditures increase unexpectedly, as did utility costs across the nation, libraries responded by reducing collection, technology, and other expenditures. This reality further impacts libraries ability to adequately plan for improvements to technology-related services.

Technology budget planning requires detailed expenditure data

Until this study, libraries have not been asked to report detailed technology-related expenditures beyond their local governance groups (e.g., city managers, library trustees, etc.). For the first time we can begin to understand how libraries pay for technology-related services, and begin demonstrating to libraries the value and significance of capturing this level of detail both for planning and advocacy purposes. Further, without dedicated IT support, significant pieces of information required for planning may be missing. Expert IT staff and detailed budget and expenditure information are needed for effective planning for technology-related services. Libraries more and more are relying on technology to support information access in their communities, and are being relied upon by the community to be the primary access point for these services. Without detailed expenditure information and expert IT advice libraries cannot effectively plan, nor can the communities in which they operate.