

# Chapter 7: Fiscal Responsibilities

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**This chapter covers:**

- ✓ Fiscal responsibilities of trustees
- ✓ The budget process
- ✓ Sources of funding

## **Fiscal Responsibilities of Trustees**

Public library trustees are responsible for the securing and supervision of library finances. Neither trustees nor library directors can be expected to be lawyers or accountants, but they should be knowledgeable enough to be sure requirements are fully met. While the trustees have major responsibility for planning, budgeting and securing funds, the board should delegate the handling of day-to-day financial operations of the library to the director.

Trustee responsibilities include:

- Knowing the library's financial base and local, state and federal allocating authorities for library funds
- Becoming familiar with supplementary sources of revenue
- Understanding the financial needs of the library's operation
- Obtaining funds needed for maintenance, growth and expansion
- Understanding the basics of legal requirements and reporting requirements for library funding
- Managing trusts and endowment funds when appropriate

The Connecticut State Library can provide guidance on regulations and practices affecting library finances. Additional assistance may be provided by state and national professional associations. Chapter 11 of this handbook provides helpful resources.

### The Budget

Budget preparation is a cooperative process involving trustees, the library director, library staff and municipal officials.

The library director is in the best position to gather budget information, understand the budget needs for programs and do the balancing act with available funds. Thus the library director is responsible for the preparation of the initial budget request.

Library board members need to know the programmatic goals of the budget and understand the justification for the amounts. To have that kind of knowledge, trustees should be involved in budget development as well as review and approval.

The budget should have a philosophy, a kind of mission statement which explains its purposes, especially if there are new programs or heavy emphasis on a phase of service. Funding agencies need to know what the library does and the budget should supply a summary of proposed activity. Trustees can make the budget process a realistic spending plan for a year of advancement toward the goals and objectives of the library.

The actual budget comes last after all the discussion, planning and decision-making. The budget document will not reveal the depth of debate, the weighing of priorities and the difficulty in dropping good ideas. The board's records should show some of the thinking that has gone into final figures.

#### Characteristics of a Good Budget

The budget document should include four practical characteristics:

- Clarity
- Accuracy
- Consistency—providing period-to-period comparisons
- Comprehensiveness

### **Line Item and Program Budgets**

Line item and program budgets are two of the most popular styles of budgets. The line item budget is organized by categories or lines of expenditures and shows how much is spent on the various products and services that the library acquires. The program budget, designed to assist with planning, is organized around service programs (such as children’s, young adult and reference services) and helps the library board and director see how much is spent on these individual areas. Items within each program budget are usually arranged in a line item style so that the individual categories of expenditures for each program are also presented. It is helpful if the library budget includes both line item and program presentations.

### **Operating vs. Capital Costs**

Operating activities are ongoing expenditures for the operation of the library and can be anticipated from year to year. Included as operating expenditures are staff salaries and benefits; books and other media acquired for the library; heating, cooling, regular cleaning and maintenance of the building; and technology.

Capital activities, in contrast, are those that occur irregularly and usually require major purchases. Some require special fundraising efforts. These would include new or remodeled library buildings, major repairs to the building and major upgrades of technology.

Operating and capital activities should be separated for reporting purposes.

### **Income vs. Expenditures**

Income should be broken down by the source of the funding—for instance, municipal appropriation, state aid, grant projects, gifts and donations, fines and fees. Expenditures should be shown in categories (or lines) representing similar kinds of products or services—for instance, wages, benefits, print materials, audio and video materials, telecommunications, and staff and board continuing education.

**Municipal Accounting vs. Library Accounting**

In Connecticut, library board control over finances varies. Some boards have complete control over the budget while in others the municipalities have final control. In some cases library boards must deposit most of their funds with the municipality. Since the municipality holds the funds, it will also keep records of how those funds are used. This municipal accounting should be available to the library board regularly. Even though your municipality performs this accounting function, it is advisable for the library to be knowledgeable about the status of the budget.

In addition, there are types of funds (gifts, bequests, devises (willed property) and endowments) which can be managed directly by the library board. If the board chooses to manage these funds it must, of course, keep records for accountability.

**The Budget Process**

**Role of the Library Director and Finance Committee**

The steps in the budget process are to:

- Develop the budget calendar with key dates for completion, definition of tasks and assignment of responsibility, beginning three to six months before the budget is to be presented
- Review carefully the long-range plan, goals and objectives
- Evaluate the prior year's actual line or program costs to determine if that year's budget decisions accomplished the goals set
- Conduct preliminary discussions with trustees, staff, government officials and the public
- Consider new programs requested by the staff and project anticipated expenditures
- Make preliminary decisions on the library's priorities, project next year's problems and anticipated revenues and develop next year's salary budget

**Role of the Library Director and Staff**

The library staff and director should develop a draft budget that includes program and/or line item analysis defining services, revenues and expenditures.

### **Role of the Finance Committee**

The finance committee should analyze and review the budget draft and be prepared to explain and interpret it in terms of community needs and expectations.

Along with the library director, the finance committee should present the budget draft to the full board to study, scrutinize and amend if necessary. The full board adopts the final budget.

### **Presenting the Budget**

The approved budget is then submitted to the local governing body for action along with the budgets of other municipal agencies. (This may not apply to association libraries.) Trustees should be involved in presenting, explaining and supporting the library budget that was approved by the library board.

Once the funding level is determined, adjustments may need to be made.

As the year progresses, further adjustments may be requested by the library director to respond to actual events.

A budget presentation is actually a political negotiation with town or city officials to determine the exact scope of programs and services to be offered. Trustees must be thoroughly prepared to participate in presenting the budget, to explain, justify and negotiate. The library must be seen as a basic community and information agency, not just an intellectual or recreational frill. Trustees are the front-line defenders of the role of the public library in the community and thus should actively seek support for adequate library funding.

Trustees should not wait until budget time to let the municipal officials know how funds are used and what the library needs. Throughout the year successes, services, and community response should be made known. Testimonials and relevant statistics are usually much more persuasive than demands.

To strengthen its position the library should:

- Invite officials to special programs, receptions and library activities
- Offer library reference service and assistance to local government officials and departments
- Send officials copies of letters of appreciation, awards, staff accomplishments and media coverage
- Use Friends and community supporters to promote the library budget.

## Publicizing the Budget

To make known its budget needs the library should:

- Tell the community what the current funding level will accomplish and inform the community about the value received from library funding

(It is important to be familiar with Sec. 9.369b of the Connecticut General Statutes regarding expenditures of municipal funds to influence votes on the budget.)

- Let the public know how budget cuts may affect the library's offerings
- Use publicity to inform the community about valuable services being provided by the library via brochures, newsletters, newspapers, community meetings and the library's web page

Budgeting is a continuous process. As soon as one year's budget is approved by the governing body, it is time to begin assembling facts and figures for the next year.

## Implementation of the Budget

For libraries formed under Connecticut General Statutes 11-20 and 21, the library board has ultimate budget authority; however, all boards should be familiar with the budget. All trustees have the responsibility of setting priorities and securing funds; the director and staff have the responsibility of implementing the funded program to meet the needs of the community.

Following are best practices of budget implementation:

- The tasks, authority and duties for library spending must be clearly delegated to the director or other staff.
- Trustees may be asked to contribute specific expertise in fiscal management but their major role is planning, budgeting and securing funds.
- Personnel and procedures for handling library funds may vary in local library systems depending on the size of the library budget and staff. Specific procedures and responsibilities should be outlined in the local policy and procedure manuals so that all trustees and staff understand the lines of authority.
- Trustees should delegate the handling of day-to-day financial operations of the library to the director. Trustees fulfill their fiscal responsibilities by maintaining knowledge of the budget and adherence to budget plans and policies.
- The library director is responsible for keeping the trustees informed of budget implementation. Monthly reports should be prepared for the board, the public and various funding sources which may require their own reporting forms.

The board controls and monitors library finances by:

- Careful development and approval of the budget
- Review and approval of all library expenditures
- Review and monitoring of periodic financial statements
- Development of policies for finances and the handling of gifts and donations
- Accurate and complete financial reporting
- Careful attention to internal financial controls and audits

To oversee the finances adequately, the board should study financial statements carefully, ask questions and be sure that they understand any unexpected or unusual expenditures or budget developments.

### Handling Gifts and Donations

The requirements for the handling of gifts and donations depend on the specific situation of each library including whether it is an association or municipal library and whether a Friends organization or foundation exists. However, all boards should adopt a gifts and donation policy. An example may be found at

<https://libguides.ctstatelibrary.org/dld/help/samples> .

Every library should undergo an annual audit to ensure that financial matters are being handled responsibly. Municipal libraries will have their accounts audited along with other departments. Association libraries may ask to be included in the municipal audit or budget for an outside auditor to conduct an annual audit. All library audits are public records and must be publicly available. The library board should examine audit reports and carefully follow any recommendations.

**Public Funding**

Public libraries in Connecticut are funded primarily by various mixtures of local, state and federal monies. Public libraries receive the majority of their funding from local tax support while state and federal income provides much needed supplemental funding. Many libraries also rely on funding from private sources. Some libraries enjoy substantial endowment income. It is the board's responsibility to identify and actively pursue funding sources and to present a budget request to the funding body. Each trustee should feel personally responsible for obtaining the best possible municipal appropriation for the best library service.

Trustees may need to look further for the discretionary monies needed and turn to other means of financing.

**Friends Organizations and Individual Donations**

The local Friends of the Library organization is often a steady source of donations for special projects.

Libraries have historically been beneficiaries of funds from individuals, corporations and foundations. Faced consistently with budgets that do not sufficiently cover the library's services, trustees ought to consider how additional funds can be made available.

**Grants**

Grants can be an excellent source of supplementary funds for special projects but should never be used to justify reducing or replacing the community's commitment to public funding.

Grants are available from a variety of sources, including foundations and government entities. The Connecticut State Library maintains a list of possible grant sources and training opportunities at:

<http://www.ctstatelibrary.org/dld/pages/grants-and-reimbursements>

The State Library also maintains an Additional Grants for Libraries Blog at:

<http://librarygrants.blogspot.com/>

U Usually, grants are for new programs. Libraries must be careful to analyze the commitment involved in a grant and consider whether there are strings attached and how they fit into the board's priorities and the library's mission.

### **Federal Funds**

Federal funds come primarily from the Library Services and Technology Act (LSTA), administered by the U.S. Institute of Museum and Library Services, an independent federal grant-making agency dedicated to creating and sustaining a nation of learners by helping libraries and museums serve their communities. The use of LSTA funds in Connecticut is administered according to the State Library's Five Year Plan. A portion of the federal funds coming to Connecticut is made available as sub-grants to local libraries under categories called for in the Five Year Plan and approved each year by the Advisory Council for Library Planning and Development. Information on these grants may be found at: <https://libguides.ctstatelibrary.org/dld/lstagrants>

Information on other federal grant opportunities may be found at:  
<https://libguides.ctstatelibrary.org/dld/grants>  
<http://www.grants.gov/>

### **Fundraising Activities**

A detailed discussion of fundraising is presented in Chapter 9.