



The Seattle Public Library

June 30, 2010

To: Councilmember Richard Conlin, Regional Development & Sustainability
Committee Chair

Via: Beth Goldberg, City Budget Office Director

From: Susan Hildreth, City Librarian
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Subject: **Library Funding Statement of Legislative Intent – Funding Options**

Background

As part of the city's 2010 budget process, the City Council approved a Statement of Legislative Intent requesting the City Librarian to work with the Library Board, the Executive, the City Attorney's office and Council staff to explore potential new sources of ongoing revenue for The Seattle Public Library (SPL) (see attachment 1). The purpose of this briefing is to review the outcome of this analysis. Library Trustees and the Mayor's office have discussed the options identified.

Library Funding in Other Jurisdictions

This section provides information on public library governance and funding mechanisms in Washington State, followed by a summary of data from a national study conducted by the Urban Libraries Council in 2003. An example is also provided of a specific library funding mechanism instituted in order to stabilize funding and sustain library service levels in San Francisco following a sustained history of budget reductions to branch libraries.

Public Library Governance and Funding in Washington

Public libraries in Washington State are limited to 1) municipal libraries (city or town) or 2) five types of library districts, with limited differences (rural county, intercounty, partial-county, rural, regional):

1. Intercounty Rural Library District – unincorporated area of two or more counties
2. Island Library District – unincorporated area of a single island
3. Partial-county Rural Library District – unincorporated portion of county not served by existing district
4. Regional Library – two or more counties establish regional library by contract
5. Rural County Library District – unincorporated area of a single county (King County Library System)

There are 36 municipal libraries and 27 library districts in Washington. For libraries serving over 250,000, there are five library districts and one municipal library (Seattle). The districts include

Fort Vancouver Regional Library District (serving three counties), King County Library System, Pierce County Library System, Sno-Isle Libraries (serving 2 counties) and Timberland Regional Library (serving five counties). Of the five largest cities in the state, per 2009 State population data, three maintain municipal libraries; and two are served by library districts. Seattle (population 602,000), Spokane (205,500), Tacoma (203,400) have long-established municipal libraries. Vancouver (164,500) is served by the Fort Vancouver Regional Library District; and Bellevue (120,600) is served by the King County Library District.

Washington public libraries have a higher reliance on local funding (94.7%) from general tax revenues, a special taxing district, or private funding than any other state. Specific funding mechanisms include:

1. Municipal libraries – funded from city or town general fund
2. Library Districts – junior taxing district authorized to levy a tax against property specifically for the purpose of supporting the library
3. Municipalities annexed to Library Districts – levy rate adopted by library district is uniform throughout the district
4. Municipalities Affiliated to Library Districts by Contract – fee is set by contract, is usually equal to levy rate in unincorporated area applied to assessed valuation of city and usually paid from city general fund
5. Privately Funded – some communities have libraries open to the public that receive major source of funding from private funds
6. Regional Libraries – expenses are apportioned among contracting parties

Washington public libraries are well-funded compared to public libraries in most other states. For public libraries serving over 250,000, the 2007 mean expenditure per capita nationally was \$36.33, the 2008 average per capita spending in Washington was \$60.33. Based on adjusted Census population numbers and adjusted 2010 operating budgets, the 2010 per capita local spending for The Seattle Public Library was \$85.93 and \$71.82 for the King County Library System.

Public Library Governance and Funding Nationally

A 2003 study conducted by the Urban Libraries Council found that, of 99 urban libraries reporting, 40 were part of a city or county government, 22 were special districts, 25 were independent agencies and 12 were operated as non-profit organizations. Seventy-two libraries had administrative boards, with 61 of those boards' members appointed by elected officials. Most other library boards were advisory. Over 50% of libraries reporting had boards with fewer than ten members.

A variety of funding mechanisms were reported by the responding library systems, including:

- Local sources of revenue were reported as the primary source of funding: 53% of libraries received 90% of funding from local sources; 29% received 80-89% from local sources.
- Of 96 urban libraries funded by tax revenues, 53 had no taxing authority, 30 could levy taxes, 21 could levy bonds, four were funded by excess levy capacity and two were funded by sales tax revenue.

- 53 libraries received funding from dedicated property taxes, 47 received general fund appropriations, two received dedicated sales tax revenue. Twelve were supported with a variety of dedicated taxes.
- 74 libraries received gifts from Friends of the Library, 65 received grants from Foundations
- 64 libraries had Foundations, although this number has increased since the study
- 69% of libraries had the authority to adopt their own budget, 46% had total control over budget expenditures and amendments

Library Funding Enhancement by Citizen Initiative – San Francisco Public Library

In addition to the state and local government tax measures used to finance public libraries, San Francisco provides an example of a voter-initiated funding approach. Using the Initiative process, sufficient signatures (10% of registered voters) were collected to petition the Board of Supervisors to submit a charter amendment (Proposition E) to voters of the city and county for their adoption or rejection.

The initiative followed years of declining general fund support and operational cuts to branch libraries. The campaign was supported by the Friends and Foundation associated with SFPL. The measure re-directed existing taxes and required a simple majority of voters.

The charter amendment required the City to maintain funding for the Library at a level no lower than the amount appropriated to the Library for the 1992-1993 fiscal year, and to establish a San Francisco Library Preservation Fund to be used only for additional library services, e.g. increasing service hours, books and materials. During the term of the Library Preservation Fund, the City was also required to operate the main San Francisco Public Library and at least 26 branch libraries for at least a total minimum of 1028 hours per week, the service level in place in 1986.

The funding mechanism set aside a specific portion of property tax revenues (an amount equivalent to an annual tax of two and one half cents (\$0.025) for each one hundred dollars (\$100) of assessed valuation) in the Library Preservation Fund, which was matched by a set appropriation of general fund support as a minimum contribution to the San Francisco Public Library. Proposition E was initially approved for 15 years starting with fiscal year 1994 – 1995 and was subsequently amended and renewed for another 15-year term in 2007 with unanimous support from the Mayor and Board of Supervisors and widespread community support.

Currently, the Library Preservation Fund property tax revenues provide San Francisco Public Library with approximately \$37.5 million, and the baseline General Fund appropriation is approximately \$42.2 million annually. With additional miscellaneous grant and gift sources of \$2 million, the total operating budget is \$81.7 million. This compares to The Seattle Public

Library's \$49.2 million General Fund budget, augmented by an additional \$1.8 million from grants and miscellaneous fees for a total operating budget of \$51 million to operate a comparably sized system. The Library Preservation Fund has helped quadruple the budget for books and materials to \$9 million, expanded access to free technology and programs, and increased branch library open hours by 64% or a total of 1314 open hours per week for the entire system. In contrast, The Seattle Public Library's 2010 budget for books and materials is \$6 million and branch libraries are open 1185 hours per week.

Potential Funding Options (Attachment 2)

A variety of revenue options are identified and a summary of key elements provided as Attachment 2. The chart indicates the potential amount of funding, changes in state or municipal law that would be required, and concerns that might affect the stability or viability of potential new revenue sources.

While the Statement of Legislative Intent did not define what ongoing level of funding is desired for the Library, establishing such a goal would help define the risk of additional or alternate funding mechanisms. Putting some parameters on the funding objective would help frame the evaluation of various revenue instruments.

Seattle Levy Lid Lift Capacity (Attachment 3)

There is room for a levy lid lift to support the Library, although there could be competing priorities for the City's unused regular levy capacity. The City can collect up to \$3.60 per \$1,000 of assessed value (AV). The City's annual regular levy typically results in a rate that is less than its total statutory authority of \$3.60/\$1,000 AV. This is in part due to Initiative 747, which in 2002 established a 1% annual growth limit on a jurisdiction's regular levy. A chart is provided as Attachment 3 in order to illustrate the City's levy lid lift capacity and assumed demands in out years regarding levy renewals. This is in no way intended to be a proposal to renew or for a renewal amount, only a working assumption to examine the levy capacity in the future. As the economy rebounds and assessed value increases, the levy lid lift capacity will increase.

Summary

The discussion with the Library Board provided perspective on concerns that the Trustees might have should any option move forward, and preliminary indication of options which seemed more viable at this stage of the analysis. The Mayor's Office identified concerns related to the ability of current revenues to the General Fund to support SPL as well as other departments that rely on the General Fund.

Attachment 1

2010 City Council Budget Action (SLI)

Library Funding Options

Statement of Legislative Intent: The Council requests that the City Librarian work with the Library Board, the Executive, the City Attorney's office and Council staff in 2010 to explore potential new sources of ongoing revenue for The Seattle Public Library (SPL). This work should include the preparation of a written report for the Council's review. The written report should include, but not be limited to: (1) information on revenue sources used to fund libraries in other jurisdictions, (2) the pros and cons of any potential new revenue sources, (3) the amount and stability of those revenue sources, and (4) any changes in state or municipal law that would be required.

Background. General Subfund (GSF) support accounts for most of SPL's total annual revenues. However, the City's ability to provide GSF support to SPL fluctuates with the City's revenues. SPL receives some funding from library fines, copy and printing services, and other sources. The amount that can be raised from these sources is limited.

SPL also receives private donations which are not part of their operating budget but are used to enhance specific library programs. This annual amount also fluctuates depending on the amount of private donations or grants SPL receives in a given year.

The City anticipates a \$72 million reduction in revenues for 2009 and 2010 requiring significant reductions to most City services and programs. The reduction of GSF support to the SPL in 2010 will result in the reduction of library operating hours, a week-long closure of the library system and the layoff of staff. Consequently, Council is interested in finding a stable, ongoing new revenue source for the SPL.

Council requests that the written report be submitted by no later than June 2010 to the Council's Culture, Civil Rights, Health and Personnel Committee.

Attachment 2: DRAFT Funding Options

Caveats

- There are legal limitations on various methods
- City of Seattle requires State action to establish any new taxing authority
- State legislature more likely to grant local option taxing authority if it is inclusive of other municipalities
- City of Seattle does have some discretion with voter approval to dedicate levy lid lift property tax revenue to Library purposes
- Property tax measures will be limited by total rate limits (RCW 84.52) and 1% growth restriction in total levy year to year (RCW 84.55)

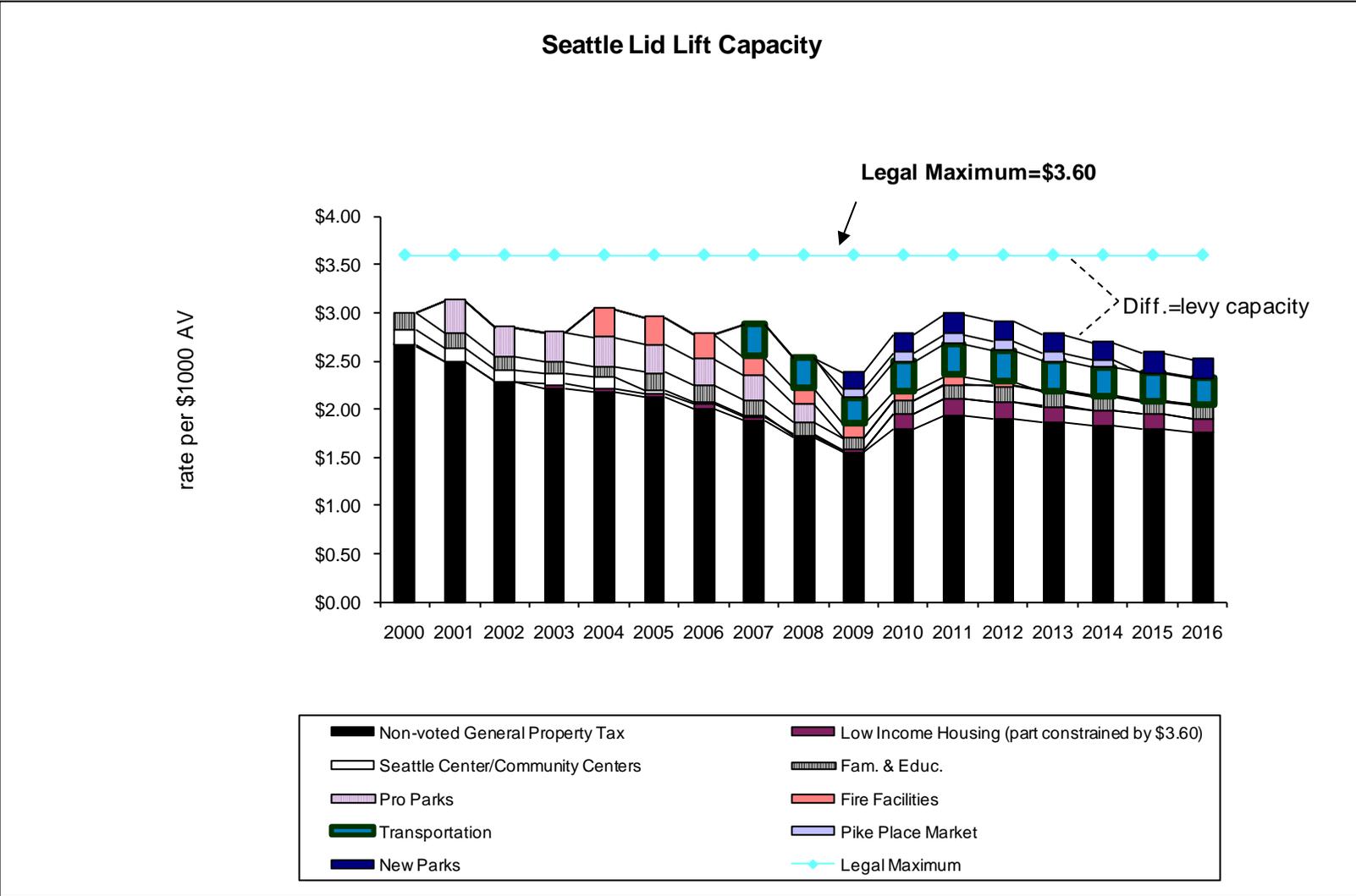
Option	Eligible Jurisdiction	Originating Activity	Approval Criteria	Taxing Authority Based on 2010 AV	Revenue Generation	Governance	Considerations
1. Special Taxing District - Amend current legislation (RCW 27.12) authorizing creation of a Rural Library District to permit creation of a Municipal Library District	Any municipality	Would require an amendment to state law to establish a municipal library taxing district	Amended legislation to authorize a municipal library district likely to require a local vote of approval by a simple majority of electors within the proposed boundaries of the district	Amending language would determine taxing authority for a Municipal Library District	Examples only: \$0.25 = \$30.1 m \$0.50 = \$61.5 m	Would need to be set forth in authorizing legislation	<ul style="list-style-type: none"> ▪ More likely to be a successful strategy if supported by other municipal libraries ▪ Need to separate internal functions currently provided by City ▪ Would likely reduce the City's overall levy rate capacity by rate established for library district ▪ Tax levy growth limited to 1%, which is less than cost growth, thus requiring periodic renewal
2. Special Taxing District, e.g. Metropolitan Park District (MPD) – Amend or duplicate current legislation (RCW 35.61) to include Libraries)	Any city or county or portion thereof for a MPD	Would require a change in state law related to MPD's to establish a taxing district for the Seattle Public Library	Simple majority of electors within the proposed boundaries of the district	Up to .75 cents/\$1,000 assessed valuation for general operating purposes. Up to 25 cents can, by 50% popular vote, be protected for six years from pro-rationing among other taxing districts under the \$5.90 aggregate junior taxing district limit. Approval by 60% of electors is required to exceed .75 cents/\$1,000 in assessed value and 40% of number of voters in last election	\$0.25 = \$30.1 m \$0.75 = \$90.4 m	Five member board appointed by the Executive and confirmed by governing body (City Council)	<ul style="list-style-type: none"> ▪ Need to separate internal functions currently provided by the City ▪ Doesn't preclude the City from still contributing to the Library ▪ Would likely reduce the City's overall levy rate capacity by rate established for library district ▪ Tax levy growth limited to 1%, which is less than cost growth, thus requiring periodic renewal

Option	Eligible Jurisdiction	Originating Activity	Approval Criteria	Taxing Authority	Revenue Generation	Governance	Considerations
3. Base funding commitment from City General Fund and a levy lid lift for excess funds, e.g. Families and Education Levy, Bridging the Gap transportation funding	Any city	City Council submits a proposition to voters requesting levy for special purpose Historically, all special purpose levies have had a duration and purpose limit although this is not required by law	Simple majority of electors within the City of Seattle	RCW 84.55.050	Lid Lift Rate = \$0.0083/\$1,000 AV to generate \$1 m	No change required	<ul style="list-style-type: none"> ▪ Some or all of Library budget could be included, e.g. the EMS Levy fully funds emergency services ▪ Need to identify specific levy-funded Library activities if the approach is to combine General Fund support and a levy for excess funds ▪ Levy growth limited to 1%, which is less than cost growth, thus requiring periodic renewal. ▪ Can rebase funding level with renewal ▪ Periodic renewal puts Library at risk
4. Earmark a portion of an existing tax or revenue source for the Library, e.g. the charter revenues dedicated to parks funding	Any city	No state action is required City Council submits a proposition to voters to amend the City Charter to dedicate certain existing tax collections to the Library	Simple majority of electors within the City of Seattle	Proposition would define dedicated revenue sources	Determined by selected revenue sources	No change required	<ul style="list-style-type: none"> ▪ Need to insure dedicated funding stream is not offset by reduction in General Fund ▪ Reduces flexibility of General Fund ▪ Reduces City Council's funding choices ▪ May be hard to find a nexus between sources & Library purposes ▪ Vulnerable to change with change in Council
5. Local option sales tax	City limited by State law No unused authority currently exists	State creates new authority and may require City Council to submit a proposition to voters requesting tax increase for special purpose			Rate at 0.05% = \$8.04 m 0.1% = \$16.1 m	No change required	<ul style="list-style-type: none"> ▪ Would compete with many other budget-challenged services and interests ▪ Unlikely to obtain political support given economy and voter fatigue in using sales tax option
6. Increase revenues to the General Fund in order to sustain funding to the Library as well as other General Fund departments	Any city	The Executive could initiate funding mechanisms with the City Council	Depends upon the mechanism identified		TBD		<ul style="list-style-type: none"> • Provides more flexibility for the General Fund to support a variety of services

Annexation to King County Library District – Informational Only

Option	Eligible Jurisdiction	Originating Activity	Approval Criteria	Taxing Authority	Revenue Generation	Governance	Considerations
Not identified as a SLI option – listed here because the option is mentioned when funding for SPL is discussed with the public or press	Would require a change in State law - annexations are limited to cities and towns with populations of 300,000 or less	The City Charter would need to be amended to dissolve the City Library Dept. KCLS Board must vote to proceed with annexation and then the City Council must submit a proposition to voters in the area to be annexed	Simple majority of electors within the area to be annexed	RCW 27.12.050	Levy rate is currently at maximum rate of \$0.50 cents per \$1,000 of assessed value set by State law	Seven member KCLS Board governs annexed areas	<ul style="list-style-type: none"> • KCLS has no interest in pursuing this option

Attachment 3 – Seattle Levy Lid Lift Capacity Illustration



Note: This projection makes assumptions about renewals of lid lifts that are speculative and subject to Executive and Legislative deliberative processes.

