

County Shared Library Services Levy (CSLS)

Recommendation: This is a proposal to revise Chapter 43 of Wisconsin Statutes. The proposal permits a county library levy for shared services, a levy from which local municipalities cannot exempt. This is a change from current practice as allowed for in ss 43.64 Wisc. Stat. The current law, resulting from 1997 Act 150¹ provides for a minimum county levy on communities without their own libraries (this is called TNR circulation in Waukesha County). The proposed legislation will provide counties a tool to account for Crossover Borrowing (COB in Waukesha County) as well as for other shared services such as full text databases, shared automated circulation systems, or buildings, that are provided to all residents of a county uniformly.

Background

Current library law is based on a state that is rapidly less and less in our mobile, urbanized, increasingly electronic society. A county cannot impose a general levy tax for shared services from which communities are not allowed to exempt. This stands in the way of providing the type of shared services convenient to the citizen envisioned in the recent Kettl Commission report. Residents of urban areas wish to use libraries that are most convenient to their traffic patterns, not their taxation patterns. This report urges the establishment of a new state law giving counties the ability to tax appropriately for the new, more mobile circumstances.

Perhaps this is that rare issue on which most municipalities and both Waukesha and Milwaukee counties could readily agree (see attached press coverage). While the issue of crossover borrowing is a growing problem throughout the state, it is more prevalent and severe in the densely populated southeastern portion of the state because of resident mobility. Other types of shared services considered here present similar challenges. The state legislature has been reluctant to use state funds for these issues. This proposal gives counties the ability to resolve issues of library use that the state has been unable or unwilling to address.

Wisconsin law allows for the municipal establishment and maintenance of municipal libraries designed to serve the needs of a given municipality. When there was less mobility, the laws worked fairly well. Times have changed. People live in one community, work in another, send their kids to soccer in another, and shop or do library business in yet another. The Internet allows for the shared use of databases and circulation systems at users homes and offices. Laws, technology and taxation patterns should change with the times.

County Library Levies on “Non-library communities.”

Wisconsin Statute 43.12 requires counties to tax residents of communities that do not support libraries directly so the revenue generated can be distributed to library communities used. The law prescribes a minimum level of taxation; set at no less than a sum calculated by using each library’s operating expenditures per item circulated by a 70% factor. More equitable levels are permitted, but nothing less is allowed. With this law, the legislature has provided for one tier of library service need, but neglected the next tiers, those of crossover borrowing² and other shared services.

In order to avoid the inevitable competition for scarce tax dollars the CSLS levy must be exempt from state imposed revenue caps.

¹ Codified as ss. 43.12, Wisc. Stat.

² Crossover borrowing occurs when the resident of a library community uses a library in another community.

In July 2000, responding to a crisis because of the so-called crossover borrowing issue in public libraries, the Intergovernmental Cooperation Council, an organization of the top elected suburban officials, endorsed a resolution asking Milwaukee County to “bail out the system.”

In similar circumstances in 1998 the Waukesha County Cooperation Council urged much the same to Waukesha County.

However, neither county, nor in fact any Wisconsin County, has the necessary taxing tools to do so. That will take the legislative action proposed here.

The proposal could also include a provision increasing the equity of appointments to local library boards. When county funding for the current library levy on non-library communities reaches a 16-cent per local dollar threshold the county can add a member to the local library board and at 33 cents it can add a second member. The appointments under current law add to the board size rather than supplanting locally appointed members. The CSLS revenue should carry with it the provision for additional members at the 50-cent, 66-cent, and 1.00 rates as well – for a maximum of five additions rather than the current two.

Proposed 43.65 Wisc. Stat. Shared Services Tax.

- (1) A county board may levy a tax for shared services provided to all residents of that county and shall include any amount of tax under this subsection in the amount of taxes determined to be levied under s. 70.62 (1). Any such tax shall be exempt from the levy limitations provided in current law.
- (2) Cities, villages, towns and school districts shall not be provided the exemption provided in s. 43.64 from the shared services levy.
- (3) Counties imposing a shared services levy shall be required to file a plan demonstrating to the satisfaction of the division that said tax meets the requirements for a shared services levy. Shared services may include, but are not limited to:
 - a. access by all county residents to libraries in another county in the state.
 - b. access by all county residents to shared databases or full text books available on the electronically from anywhere in the county.
 - c. support of shared automated systems for the circulation of library materials and other activities that are available equally to all residents of the county and to all libraries in the county.
 - d. Contributions to debt retirement or capital investment for all libraries in the county meeting the minimum standards established under ss. 43.11.
- (4) Any funds included pursuant to this subsection shall be subject to a public hearing held by the county board at which the proposed funding formulas and distribution amounts are made available for public review at least 90 days prior to the adoption of any levy.
- (5) When county funding for the current library levy on non-library communities reaches a 16-cent per local dollar threshold the county can add a member to the local library board and at 33 cents it can add a second member. The shared service revenue allows for additional members at the 50-cent, 66-cent, and 1.00 rates as well – for a maximum of five additions rather than the current two.
- (6) The levy for shared services is exempt from revenue caps.

Draft

Potential Uses of the Proposed Law for Waukesha County

Intersystem Borrowing.

Waukesha County Federated Library System is proposing an intersystem borrowing agreement with Washington County. Much of the use across our border is likely to be between Menomonee Falls and Germantown, to library communities. The respective counties cannot currently levy a tax on library communities to be used to pay for this borrowing. The law would allow for funds to be used for this purpose. Waukesha libraries along the northern border of the county, Town Hall, Sussex-Lisbon and Menomonee Falls are likely to receive substantial revenue from any such transaction. There are similar situations in all counties in the state. It is an intractable problem that could be solved with this new tool.

Crossover Borrowing

Nearly 10% of the library use in Waukesha County is between library communities. Presently, the Waukesha Best-Fit Formula, the funding from the “TNR” communities, is re-adjusted to reflect borrowing imbalances between net lenders and net borrowers for crossover borrowing. With this new tool in hand, the county would be able to generate the revenue to reimburse crossover lenders without diluting the pool of TNR funding – a situation that would make the lenders considerably happier and be more equitable.

Shared Databases

WCFLS funds shared full text databases that provide high quality periodical and reference materials to all residents of the county from their libraries and sometimes from their homes. The funding is a combination of local municipal funding and state aid received by the system. Providing for these much valued resources through a shared services levy would spread the costs to include the 24% of the population that does not reside in any library community, thereby making cost sharing more equitable.

Shared and Linked Automated systems

WCFLS does not presently have a shared automation system that is equally available to all residents and all libraries, as some counties do. But even if it did, it would not have any mechanism for funding it except the use of scarce state aid dollars. Development of a Waukesha plan for such a system would take time and a good deal of consensus building. Current developments in the world of library automation, including the Z30.50 standards, are providing for new possibilities short of the older model of a jointly owned and operated server/mainframe computer and a single model of software. Therefore options can be explored.

Library Capital Expenditure

New municipal auditing standards called GASB 34 will cause all levels of municipal government to capitalize the costs of their buildings and equipment in their annual audits (Comprehensive Annual Financial Reports or CAFRs). The clear delineation of their ongoing capital costs and the depreciation of their assets will provide an opportunity for a more equitable sharing of these assets and liabilities between library and non-library municipalities. A county could establish an ongoing tax similar to that found in Winnebago County, in which a set amount of funding is provided to each municipality annually to be used either to retire bonded indebtedness or to build a reserve for eventual capital expansion.

Proposed County Resolution Endorsing a Shared Services Levy

Whereas, under current law a county cannot impose a shared services library levy from which library communities cannot exempt,

And Whereas, this stands in the way of allowing the county to provide for shared services such as crossover borrowing, intersystem borrowing and circulation,

Now therefore be it ordained, that the county endorse the proposed revisions to Chapter 43 named the County Shared Library Services Levy.

Be it further ordained, that the county urge its legislative delegation to support this legislation.

Draft

Officials warn library system could dissolve Libraries argue over who should have to pay costs of crossover borrowing

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The search for equitable funding among the county's libraries has grown so contentious that officials from eight communities are warning that the countywide library system is in jeopardy of dissolving. The warning came in the form of a letter to the Waukesha County Federal Library System Board, which is seeking a solution to the problem of residents from some communities borrowing more from neighboring libraries than their home libraries lend to outsiders. In the letter written by Brookfield Mayor Kathryn Bloomberg, the group asked for detailed budget and program information from the federated system. "We would rather stay with the current (subsidy) system as opposed to risking the whole system," Bloomberg said at a meeting this week. Bloomberg's letter says: "Our review of the trend on crossover borrowing tells us that in recent years the costs of crossover borrowing are stable if not declining. This trend does not support the concern that an ever-increasing amount of the system budget is needed to fund crossover borrowing." Bloomberg was among the 17 elected officials who met for the first time Monday to find a solution to the crossover borrowing problem, which, in some cases, has pitted library against library.

Several officials say the problem of residents in some municipalities using libraries in neighboring communities has been overstated by those seeking an equitable funding system. The system board contends that crossover borrowing costs amount to about \$911,000 annually and that to make up for shortfalls the federated system contributes about \$200,000 of that amount.

In 1991, the total cost of crossover borrowing was \$380,000, according to system figures. Crossover borrowing occurs when a resident of a community that has its own library borrows materials from another library in the system. The Butler, Eagle, Elm Grove, Menomonee Falls, Muskego, and New Berlin libraries, the Town Hall Library in North Lake and the Pauline Haass Library serving Sussex and Lisbon owe money to other libraries, under the current system. Those in Brookfield, Hartland and Waukesha are owed money. The libraries in Big Bend, Delafield, Mukwonago, Oconomowoc and Pewaukee break even under the crossover policy. For some libraries owing money, the amount can be as much as 40% of the library's annual budget. The current program under

which the county system covers the shortfall of the debtor libraries could be described "as a sort of welfare system," Madison library consultant Bill Wilson told the elected officials at Monday's meeting.

Last year, the system board voted to force communities to begin paying their crossover borrowing debts. That move caused an uproar and prompted the system board to rescind its action and hire Wilson to help resolve the dispute. Although Monday's meeting was contentious at times, Greco said it served to move the issue to the next level. "Overall, what was accomplished (is) I think we know where everyone is coming from," he said. "I don't think anyone is hiding in the woods."

The list of criticism various elected officials have with the current system goes beyond the issue of crossover borrowing. Some, like Hartland Trustee Karen Compton, contend that the libraries that have crossover debt are in communities that are not funding their libraries at the same level as communities such as hers. Likewise, she said, Brookfield and Waukesha have more non-resident traffic and fewer of their own residents using others' libraries. Because those three communities make their libraries a priority, they retain their own residents as well as attract people from communities with inferior facilities, Compton said. For that reason, the communities with the crossover debt should be expected to pay the full cost of crossover borrowing, she said.

But Bloomberg said that forcing those communities to pay the full cost could "put some libraries in an economically perilous situation because their governing bodies (are not) willing to pay." Mukwonago Village President John Hogan asked whether the system's \$200,000 subsidy for crossover borrowing was "severe enough a problem."

Delafield Mayor Edmond McAleer answered, "Why should somebody subsidize a community that isn't willing to put in a nice library?" System board President Matthew Eash said it was "not a big library vs. small library" issue. Nonetheless, he said, the system board has to resolve the crossover borrowing problem because it is spending one-fourth of its \$800,000 annual budget on it. "That's a problem for us," Eash said. "We need to start working toward what everybody can agree on is a fair and equitable solution."

Book-borrowing imbalance threatens library federation

By MARIE ROHDE of the Journal Sentinel staff. Friday, July 28, 2000
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An agreement that allows Milwaukee County residents to use libraries in communities other than those where they live is in danger of collapsing over a \$1.4 million dispute that pits the city against some suburbs.

If the Milwaukee County Federated Library System fell apart, a Milwaukee student in need of research material only found at the Wauwatosa library could be asked to pay a check-out fee. Or, a Wauwatosa resident wanting to use genealogical material that only the Milwaukee Public Library could be in a similar predicament.

System data shows that city dwellers are borrowing materials from suburban libraries, creating a debt of more than \$1.1 million for the Milwaukee Library System in 1999. Under the federated system, a card-carrying resident of Milwaukee County can freely use any of the 14 suburban or 13 city libraries.

The heavier borrowing by city dwellers than by most suburban ones had led to the \$1.4 million inequity of which less than \$300,000 was debt from four suburban libraries and the Village of West Milwaukee, which is part of the system but does not have a library.

Suburban libraries that collected the most money last year for lending materials to non-residents include Brown Deer, West Allis, Greenfield and Wauwatosa. Suburban libraries that owed money were Franklin, Oak Creek, Shorewood and Whitefish Bay.

Milwaukee has balked at paying the \$1,146,076 it owes, saying it cannot afford to continue paying such high bills. Suburban libraries -- notably Wauwatosa and West Allis -- that operate in the black contend

they subsidize Milwaukee because about 90% of the material is picked up by non-residents who borrow books, compact discs and videos.

Reimbursement is based on a formula that calculates the average of what all the libraries say it costs to circulate an item. The average cost has been about \$1.96 for each item, said James Snow, the president of the Milwaukee County Federated Library System.

"It's quite serious," said Snow. "West Allis and Wauwatosa have gotten to the point of working out what their costs would be if they left. The federated system could founder over this issue."

Representatives of the communities have been discussing the matter, and Snow said he hopes that will continue. He said, however: "We're at an impasse. It is a crisis situation."

The system was in a similar crisis five years ago, Snow noted. The federated library system solved the problem by paying the bills itself. That's not possible now because the bills are so high.

The Intergovernmental Cooperation Council, an organization of the top elected suburban officials, endorsed a resolution asking Milwaukee County to bail out the system. If adopted, a community that borrows would pay \$1 for each piece and the county would pay the rest. Milwaukee County currently contributes \$66,000 to the system.

Snow acknowledges the chances of the county picking up the tab are slim, but the proposal would at least get the issue on the table.