
Budgeting and Budget Control in Public Libraries

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THE GREAT MAJORITY of public libraries in the United States are supported by appropriations. While appropriations are supplemented with state and federal aid, fees and fines, and other receipts, all funds are generally combined for budgeting purposes. Special trust and endowment income is excluded, of course. The appropriation process requires library budgeting of one type or another.

The yield from special library taxes, which is ordinarily a predictable amount, is the second most frequent source of library revenue. In spite of the fixity of this kind of income, libraries supported in this manner are being required more and more by law to prepare annual budgets. Theoretically, in order to prepare an annual budget the source of library income has no effect upon the library's obligation for proper financial management.

Early literature¹ implied that the library administrator was supposed to have the most direct hand in the preparation of the annual budget. This implication was verified a decade later by the McDiar-mids, who made a survey of library management for their book on administration.² They found that size of library reflected the pattern as to which persons prepared the budget. In libraries having fewer than 75 staff members, the librarian was often assisted in the budget-making activity by members or a committee from the board of trustees. Whenever staff reached beyond 75 members and up to 300, board participation was almost nonexistent and the librarian was assisted in budgeting and financial control by an assistant librarian or administrative specialist. For staffs of over 300 the librarian and the financial assistant had exclusive control of this activity.

A current survey³ of municipalities of over 10,000 population that operate libraries shows, among 710 cities reporting, the following

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Budgeting and Budget Control in Public Libraries

distribution of budget preparation procedure while not identifying specific individuals most directly involved:

Library board recommends library budget to chief administrator of city	235
Librarian recommends library budget to chief administrator of city	132
Library board adopts budget and city council approves tax monies only	104
Library board sends library budget to city council through chief administrator of city	102
Library board sends library budget directly to city council	96
Other procedures	41

In a great majority of these cities the library board of trustees is clearly an administrative board having fixed authority for financial management procedures. To the knowledge of this writer, there has never been such a nationwide survey analysis of the financial procedures followed in public libraries operated by other political subdivisions.

While effective revenue and expenditure control have ever remained the objective of budgeting, the procedure has changed in recent times. The name for the new procedure is "performance budgeting," and it came from the Hoover Commission's⁴ recommendations to the federal government published in 1949. The new procedure has been called "an approach toward budget formulation, presentation and control rather than a distinctive budgeting system" by the Municipal Finance Officers Association.⁵ A performance budget is expressed in terms of programs of work to be performed rather than a listing of what is to be bought.

Prior to the 1940's the preparation of a budget by the majority of governmental agencies required first an estimate of the revenues expected to be received. Libraries practiced this same procedure based upon the budget making approach defined by Sherman in 1933 as "the preparation of an estimate based on past history and future prospects of revenue and proposed expenditures for a given period, usually a year."¹

With the end of the depression and as governmental management grew sophisticated with more skills and professionalization, the old estimate approach gave way to data gathering and justification. Kaiser, the West Coast librarian with a reputation for winning budget increases, gave the advice that budget requests should be based only upon what could be justified before the appropriating body.⁸

In 1941, Miles and Martin⁷ discussed the financial management of the library from the viewpoint that the librarian is a public administrator and, therefore, must undertake his duties in financial management with knowledge of current thought and practices in that special field. The definition of budgeting shifted from the previous "estimate" to "a plan of development." And Miles and Martin also note, for the first time, that the annual budget is one step in a multi-year plan, which is a common feature of present-day budgeting.

While the type of budget prepared by libraries will follow the general lines required by local appropriating or approving authorities, and many have budgeting manuals specifying forms to be used, the trend today is clearly toward the performance budget. This kind of budgeting is a change from the old type that consisted of a plan to spend estimated income upon things or services: "In its simplest terms the goal of performance budgeting is to prepare, analyze, and interpret the financial plan in terms of services and activity programs, rather than limiting the budget to a detailing of objects of disbursement such as personal services, supplies, and equipment, and so on."⁸ The result of appropriations being based upon programs of service and activities listed in the performance budget will yield the sum of public funds needed which will, in turn, determine how much money must be collected by taxation or other means. Budgeting authorities⁹ hail this new justification method of budgeting as a means of applying sound judgment on public expenditures and the taxes required for their financing.

This is not to say that at present the majority of libraries are preparing the performance type of budget. Replies to a brief questionnaire sent to state libraries by the author indicate that performance budgets are prepared by only a small percentage of libraries. In promoting the use of performance budgeting, authorities in public finance are claiming that it is a financial plan that is understandable to the tax-paying public through their representatives on the appropriating body. The second advantage they claim for it is the efficacy with which that plan is useful in evaluating results achieved. Their object is to develop techniques of increased efficiency in the achievement of objectives in government programs. The performance budget lends itself to improved methods of systematic evaluation and the consequent improvement of performance. Their dictum is that government programs must be executed as efficiently as possible to achieve maximum program results for their costs.¹⁰

Budgeting and Budget Control in Public Libraries

If the performance budget is characterized as a shift from the past practice of outlining the means of attaining objectives to the formulation of programs that represent the objectives themselves, then determination of these objectives is the first step¹¹ in the preparation of such a budget. These determinations are made by the agency preparing the budget. Policy objectives will represent the library's management decisions on the quality and quantity of service to be offered. These decisions then become the framework upon which are based subsequent steps in budget preparation.

Planning the attainment of these policy objectives is the second step in the preparation. This consists of composing alternative possible plans of execution. It is at this point that the policy objective pertaining to quality of library service is translated into workable plans. Moreover, this procedure offers the opportunity to take into account unconventional as well as customary methods.

Programming is the third step and consists of choosing the plan to use from the alternatives considered in the planning phase. Here it is that all factors relative to the possibility and degree of success promised by each alternative plan must be weighed. Decision-making at the management and planning levels is sharpened in the process, and those that share in it can have faith in the plan adopted for the very reason of having participated in this analysis.

The fourth step is the formulation of the budget which is a program of activities or services in dollar terms of how the plan will be executed. This procedure starts with the broad functions or services for which the library exists. These are then divided into subprograms or functions. Finally, they are carried out further into activities and subactivities to the point necessary for the identification of commonly recognized work units. The purpose of this procedure is to show the "equitable relationship between the volume of work performed and manpower utilized."¹² Peterson¹³ lists four major programs in his Washington, D.C. Public Library budget: (1) administration, (2) processing, (3) public service, and (4) buildings and grounds. Price¹⁴ is currently using four different programs for a state library budget: (1) administration, (2) loan service, (3) advisory and consultant services, and (4) regional demonstration service.

Performance budgeting depends upon work measurement which ideally is built upon cost accounting data and work unit measurements. But because the majority of libraries, and municipalities, have not established cost-accounting systems, and until such data are available

in the future, reliance upon budgetary analysis is acceptable for initial performance budgeting.¹⁵ Certain facts and data can be collected roughly, but accuracy is expected to be improved with each new budget experience and time. The difficulties are (1) determination of units of output measurement and (2) application of standards to measure results. Confidence grows in work units used from their stability over several periods of time. Peterson¹⁴ recommends the use of man-hours as the work unit for libraries, but acknowledges the difficulty of applying them to all aspects of library service. He is supported by Catherine Maybury,¹⁶ who again brings up the necessity of having to determine the work units by which to measure the total cost of program services. She claims that, however difficult measurement is for all library services, measurement can be accomplished. The Los Angeles Public Library,¹⁷ upon close analysis, found that it needed to use a different work unit from that commonly used in the profession in measuring more accurately its work load. One example of work units devised and used in the measurement process is the initial group employed in Milwaukee¹⁵ for a budget analysis study. An item is the work unit for acquisitions, a book is the work unit for book maintenance, a single unit is the work unit for circulation, square feet is the work unit for building maintenance, etc. The great problem facing the library field in this regard is the establishment of standardized work units which can then be used for comparison purposes. Charles A. Beard¹⁸ predicted that determination of units of costs and units of performance were the determinants of successful public administration.

Justification of a budget request changes somewhat from the old object-of-expenditure type of budget to the program-of-services kind. Some of the earlier budget documents may have included the elements considered essential now for the performance budget, but in the main, justification consisted of arguments as to why requests took the form they did. But the new performance budget is built upon factual data that serve as partial justification.

The performance budget is conceived and designed to furnish appropriating authorities with all the information needed to make policy decisions as to amounts of public expenditures. Therefore, the first requirement is to present work load data for each of the budget's proposed programs and activities. This listing includes a brief description of the program or subactivity and statistical or tabular data showing the volume of work to be handled by each. The predicted workloads are justified by showing trends in development. The work-

Budgeting and Budget Control in Public Libraries

load is explained in terms of units of work to be accomplished. Comparative facts and statistics are included to show how management computes its request.

Justification for purchases must be precise. Thus, personal service costs show existing and new positions, effects of salary plan revisions, salary increases, and staffing schedules. Costs of books would show the application of appropriate computations¹⁹ along with the reasons for the amount needed to continue present programs and to start new ones. Equipment cost requirements show the obsolescence factors applied in requests for replacements and bid prices for new equipment.

A prepared budget must go through a process that ends with its being authorized by law. Its fortune in passing with its initial form changed or unchanged through this process will depend upon many known and unknown forces, plus the quality and sufficiency of its preparation and presentation.

The appropriation process for libraries varies widely according to different laws and customs. However, evidence in the literature points to the following course of events. After the librarian prepares the budget, it may be reviewed and revised by a committee from the board of trustees. Or the budget may be presented directly to the entire board for explanation, justification, and amendment. In any event, adjustments made in the budget at this point are made in cooperation with the administrative librarian. The budget then has unified support from all parties concerned.

The literature is clear and consistent in assigning to the board of trustees the responsibility for securing adequate support for the library as one of their primary obligations. Exemplary board performance at this point in the procedure is characterized²⁰ as their having strong enough convictions about the level of support needed that they will not shirk their active support of the budget, even in the face of public disfavor. However, in the majority of cases, it is the librarian and not the board who argues the budget before the appropriating body. But presentation of the budget before the appropriating authorities for eventual ratification must take place. Depending upon local practice, the budget may be accompanied by a covering message which is a general recital of the social purposes served by the library, its accomplishments, outstanding needs, and special problems or conditions faced, all specified in terms of service evaluation. In arguing the library's budget request before the legislative branch of government,

the librarian is entering the arena of dynamic political action and competing with many other public services with like demands for sharing public tax funds. In effect, this aspect of library administration requires participation in the processes of government, public administration and public finance. The librarian who so participates must be familiar with current developments in these fields and become a sophisticated user of the methods involved.

The city council sitting as an appropriating body is described in general terms by Shirley²¹ as a conservative group thinking primarily in terms of basic economy and with too little time to review budget requests and make decisions upon them. The goal becomes then the presentation of a carefully prepared, logically justified, planned program of public services accompanied by necessary quality information useful in making good decisions. Effectiveness in this presentation spells the difference between adequate or disappointing results.^{22, 23}

Some preparation can be made for this appropriation experience and can thereby increase possibilities for effectiveness. Both experienced librarians and public administration authorities²⁴ stipulate that a program of personal public relations with city managers and council members at times other than budget sessions, coupled with furnishing the city manager with factual, concise, and illuminating reports on progress with library service programs, increases government's disposition to favor the library cause. Librarians are warned to thread much more practicality into their usual idealistic outlook, which is a veiled prediction that they will ever be victims in the legislative process as long as they use unrealistic methods.

Program execution is step five in the performance budgeting process. The constant problem faced by management in executing the budget's programs is to determine the relationship between the effectiveness of expenditure decisions and the program or policy objectives which they are intended to serve. The librarian at the same time must be on constant guard to insure that expenditure decisions likewise achieve efficiency and economy. Decisions affecting these two ideals should be made at the lowest possible operating level and shaped by the policy on quality and quantity of service to be rendered. Economy is effected by administrators' use of controls, sanctions, and incentives throughout the organization.

While unforeseen conditions occur that require some adjustment within programs during the course of expending the budget, executives and spending authorities must be committed to the principle of staying

Budgeting and Budget Control in Public Libraries

within the limits of the budget. Use of periodic fund-release allotments serves as a control to this effect. On the other hand, the administration's failure to spend all or the majority of the appropriation is open to criticism for poor budgeting or bad administration. In instances of these latter types of failures, the library is likely to suffer at the next budgeting session.

It appears that accounting records have been and still are a problem for the library from the administrative and management viewpoint. This difficulty is probably due to an unclear conception on the part of the library board of the usefulness of such records, and a lack of appreciation by city administration and legislative officials for their differing classification from those commonly used for the remainder of city services. Many library authors support the differing positions taken by both city officials and library administrators.

There is no disputing the claim of Shultz and Harriss²⁵ that one of the key instruments for helping to achieve economical and good government is modern accounting. Cunningham⁵ specifies that accounting is one of the essential elements in financial control. Accounting records should be kept primarily for the information and use of those who are responsible for an activity.²⁶ Those responsible, directly or indirectly, are the city council, city officials, the librarian, and the board. Each of these has a different reason for interest in these records and a different use for the information they contain. Wight²⁷ has produced the most exhaustive treatment on the subject of library accounting, although his work was published prior to the advent of performance budgeting and the consequent changes in accounting.

The nature of a budget should determine the basic system of accounts maintained. Practices over the country vary considerably on library financial record keeping. Many variations are due to the nature of laws under which libraries operate. One of the most frequently argued points in relation to library accounting is the duplication of record keeping that exists between the library and the city's central finance office. All authors plead for elimination or reduction of the duplication in the name of economy.²⁸ Efforts to comply with the city management's desire for uniformity are applauded because of the recognition that ultimate governmental power rests there.⁸

The classification of library accounts also varies a great deal from library to library, but all authorities agree that it should conform with the organization of the budget. But wherever they are free to do so, most libraries have adopted the classification used by the U.S. Office

of Education and endorsed by the American Library Association. It was originally proposed by ALA. Indeed, the Municipal Finance Officers Association has not fixed a standard classification for library accounts, although it has done so for nearly all other city services, recognizing as acceptable that recommended by ALA and USOE.²⁹ However, the Library Services Branch of the USOE has recently revised its form.

There appears to be general agreement by finance authorities that library financial accounts should be kept on an accrual basis—one that shows the status of funds after taking into account obligations yet unpaid. As stated earlier, cost accounting is not widely practiced in public libraries or in general municipal finance. There are exceptions, of course, and some cities have finance staffs of a size that permits them to rotate among the various city services doing budget and expenditure analyses. It has been thought that libraries, differing from industry, are unadaptable to cost accounting because “production” in the commercial sense is not the objective of public service. Nonetheless, the modern interpretation of cost accounting by accounting experts includes “processes” and “departments” as the object for measuring and assigning costs as well as production, together with the concomitant objective of developing standards to control costs.

Cost accounting has a number of important uses for library management, and a number of studies of its application in libraries have been made. Wight³⁰ has developed the topic more fully than has anyone else recently, and he has summarized the findings of the previous studies. An ALA committee reported in the mid-thirties that cost accounting had limited importance for library administration.

Accounting records classification for a performance budget would be different from the usual library kind illustrated by the ALA recommended headings. If the nature of the budget dictates the system of accounts kept,³¹ then under the performance budget the accounts would show financial activities by program. The old system of classification by objects of expenditure would be eliminated or subordinated. This change makes it possible to supplement appropriation control with expenditure control. Under the performance budget, accounts will be classified in a manner common to the budget, accounting, and reporting. Expenses are treated on a use basis and charged to the program that consumes the results of the expense. Finally, accounting records maintained for a performance budget should also show the

Budgeting and Budget Control in Public Libraries

volume of work produced or services rendered, the basis upon which the budget was built.

It is appropriate to repeat here that use of a performance budget does not depend upon use of cost accounting. Statistical facts about costs and units of work produced will be sufficient for practical application.

If library boards control expenditures of library funds that are supplied by the public in the form of taxes, both parties are due periodic and final reports on the financial condition of the library. The third party needing the information furnished by the financial report is the librarian. His need might be considered even more immediately urgent than that of the others because of his delegated responsibility for financial management. The chief librarian needs this information for managerial control of his entire organization and its services. Also, he is under the obligation of presenting evidence to his board on the status of his trust.

The financial report is a summary of budget transactions: receipts, expenditures, encumbrances, and balances all prepared in such a manner that it can be compared with the budget.³² The financial report should be rendered regularly, which generally is monthly. Legal requirements, board participation, and size of library affects the form and frequency of financial reports. When one works under a performance budget, the prime requirement of financial reporting is promptness and timeliness. These factors influence management control of effectiveness in reaching service goals of programs. The financial report rendered under a performance budget also needs to show units of work produced and an evaluation of the quality of that work.

Varying also from library to library is the publication of an annual financial report. The most common practice is the issuance for general distribution to the public of a leaflet containing brief facts on services rendered, income and expenditure summaries, and assorted other public relations information. Certainly essential is an annual financial report summarizing all income and expenditures in terms of the budget for presentation to the board of trustees and perhaps to appropriate city officials. At least once a year after the completion of the legal fiscal period, an audit by outside experts should be made of the library accounts. Such procedure is necessary to protect both the public and all library personnel handling public funds.

The sixth step in budgeting and financial control with a performance

budget is budget review, and like all the previous five steps, it is a point at which decision-making takes place. Auditing to determine legality, propriety of expenditures, and necessary balancing of accounts serves the first purpose of budget reviewing. The other two purposes, managerial in character, are (1) to aid in the process of determining policy objectives for the succeeding budget formulation and (2) to review actual performance under programs budgeted in comparison with established objectives for each.³³ It is at this point that judgments can be made upon efficiency, quality, and related costs.

According to the literature, the extent of the coordination of purchasing by the library with that by the city purchasing agent is obscure. Libraries claim the need for freedom because of the distinctive nature of the items which they purchase. This claim holds true for their main service ingredients, which they are trained to select and purchase. There are, however, many costly supplies and even some standard equipment and furniture used in the library that can be purchased through the city, oft times at less cost through quantity purchase contracts or a bidding process that is time-consuming for library officials. A recent survey of the facts on this issue made by the city managers' national organization reveals that the majority of city libraries do some purchasing through the city.

In summary, evidence strongly shows that desired interest in and support for the library budget request can be expected when the library achieves results in terms of its service goals and objectives, operates efficiently with modern methods, and earns the respect, understanding, and rapport of the appropriating and administrative officials of government.

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Budgeting and Budget Control in Public Libraries

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PAXTON P. PRICE

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