

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 21 State Aid to Public Libraries
SPONSOR(S): Economic Expansion & Infrastructure Council, Davis and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 82

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Tourism & Trade</u>	<u>5 Y, 0 N</u>	<u>McGill</u>	<u>Hoagland</u>
2) <u>Economic Expansion & Infrastructure Council</u>	<u>14 Y, 0 N, As CS</u>	<u>McGill/Madsen</u>	<u>Tinker</u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

CS/HB 21 amends the State Aid to Libraries grant program by revising eligibility criteria for multicounty and equalization grants. The bill revises the determination for and amount of multicounty base grants and changes the process for calculating equalization grants. The bill also limits the amount of equalization grants counties can receive under specified conditions. The bill changes the formula for equalization and multicounty grants which directs more of the State Aid appropriation to operating grants, benefiting counties of all sizes.

The bill does not have a fiscal impact on state government, as the bill only changes calculations affecting the distribution of State Aid funding that are appropriated in the General Appropriations Act. No additional funding is allocated.

The bill does have a fiscal impact on local governments. Under the new calculations based on FY 2007-08 funding levels and anticipated local effort, all but 4 counties would receive a slight (2% decrease) in funding. Transitioning counties will receive additional funding for a three year period. Some counties, with significant local effort, will have a reduction in funds due to the 10 percent cap for equalization grants under the new formula. In addition, one multicounty library will receive additional funds through the addition of a base funding eligibility for a two county service of \$50,000 in addition to the per capita funding allocation.

The bill provides an effective date of July 1, 2008.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House principles.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Public libraries are governed by chapter 257, F.S. Specific provisions for State Aid Grants to Libraries relating to this bill are in ss. 257.17, F.S., 257.171, 257.172, and 257.18, F.S. The State Aid to Libraries program was established in 1961 and was the intent of the Legislature to aid and encourage the establishment and development of free library service throughout the state, by grants of money to counties maintaining a free library or free library service. The State Aid to Libraries grant program is comprised of three interrelated grants: equalization, multicounty and operating. The funding given to each grant area is based upon local expenditures. The grants and criteria are below:

- Equalization grants- awarded to county library systems that also meet the requirements for operating grants that have limited financial resources.
- Multicounty grants- awarded to systems of two or more counties that have joined together to provide library service to their residents.
- Operating grants- awarded to any county or municipality that meets basic criteria for professional library service.

State Aid funding has remained at essentially the same level, \$32 million, since FY 2001-02. In FY 2001-02 State Aid was matching local expenditures at 9.18 cents per local dollar, this amount in FY 2006-07 has fallen to 4.6 cents per local dollar. This is a result of increased local expenditures. The State Aid resources have been increasingly going to equalization grants over the past six years, in part due to the way the grant funds are calculated. The proportion of State Aid that has gone to equalization grants has increased from 11% of the total State Aid appropriation in FY 2000-01 to nearly 31% in FY 2007-08. Based on FY 2007-08 funding, under the current formula, operating grants total \$19,689,564 or 62%; equalization grants total \$9,915,823 or 31%; and multicounty grants total \$2,393,846 or 7%.

The current criteria for equalization grant eligibility in s. 257.18, F.S., is based on the value of a mill and the per capita local funds spent for library support in relation to the median for the counties as a whole. The current formula does not limit the percentage of equalization grant funds that can go to a single county, enabling a few counties to receive large grants, further reducing the funds available for operating grants that benefit all qualified libraries. The formula does not have a mechanism for a gradual phase-out for libraries who no longer qualify for the equalization grant, nor does it prevent counties from moving in and out of eligibility.

Library support is also provided by several other state and federal funding grants in addition to the three programs under the State Aid to Libraries. These include:

- Public Library Construction Grants provide state funding for the construction of public libraries. A dollar-for-dollar match is required for all construction grants. Grants are awarded from \$10,000 to \$500,000. During FY 2007-2008, \$5 million was awarded for 10 projects.
- Library Cooperative Grants provide state funding to multitype library cooperatives to assist them in meeting the educational and informational needs of Florida residents by encouraging and assuring cooperation among libraries of all types for the development of library service. Eligible multitype Library Cooperative organizations may apply for an annual grant of up to \$400,000. This program was funded at \$2.4 million in FY 2007-08.

- Library Services & Technology Act (LSTA) Grants is a federal grant program for libraries. It is a state based competitively awarded grant program with a broad mandate to use technology to bring information to people in innovative and effective ways, and to assure that library service is accessible to all. In FY 2007-2008, Florida received \$8,429,449.
- Community Libraries in Caring assists small, rural public libraries to improve library collections and services, improve adult and family literacy, and develop the economic viability in targeted counties and communities. The Florida Legislature determines the amount appropriated annually for the program. Applicants may apply for a grant of \$3,000 to \$10,000 per county or community. This program received \$100,000 in FY 2007-08.

Proposed changes

CS/HB 21 amends the State Aid to Libraries grant program by revising eligibility criteria for multicounty and equalization grants. The bill revises the determination for and amount of multicounty base grants and changes the process for calculating equalization grants.

The criteria used for awarding multicounty library grants found in s. 257.172, F.S., is amended to:

- Restrict multicounty grants to systems serving a population of 50,000 or more and that include at least one county that is eligible for an equalization grant;
- Establish a multicounty base grant of \$50,000 for systems serving two counties, which will come from the State Aid appropriation;
- Increase the multicounty base grant for systems serving three or more counties from \$250,000 to \$350,000, which will come from the State Aid appropriation if appropriations are increased from the FY 2007-08 amount by 3 percent.

The criteria used for awarding equalization library grants found in s. 257.18, F.S., is amended to:

- Limit equalization grants only to counties that received an equalization grant in FY 2007-08 and have been continuously eligible since that period;
- Determine the need for an equalization grant by using the county's operating millage or per capita income in relation to the average for all counties rather than by using the county's expenditures for library services;
- Establish a three year phase out from the equalization grants for counties that become ineligible;
- Limit the amount of equalization that can go to any single county, restricting the county to no more than 10% of the total amount required to fund equalization grants to all eligible counties;
- Provide that equalization grants shall not exceed 15% of the amount appropriated for operating, multicounty, and equalization grants or \$8,877,057 whichever is greater.

Based on FY 2007-08 funding of \$31,999,233 and using the criteria established by this bill, operating grants will represent 65% of total aid, equalization grants will decrease to 28% of total aid, and multicounty grants will slightly increase to 8% of total aid.

Assuming FY 2007-08 appropriation levels and estimating local effort expectations, all but 4 counties would receive a slight (2% decrease) in funding. Transitioning counties will receive additional funding for a three year period. Some counties, with significant local effort, will have a reduction in funds due to the 10 percent cap for equalization grants under the new formula. In addition, one multicounty library will receive additional funds through the addition of a base funding eligibility for a two county service of \$50,000 in addition to the per capita funding allocation. Specifically, Clay County would receive additional funds for three years under the new formula's provision for transitioning out of eligibility for equalization grants. Under the new formula, Nassau County will enter the three-year transition period. This will result in a slight increase under the new formula's direction to provide the same funding as last year in the first transition year, based on the assumption that their local effort will be reduced from the previous year. In the future, other counties will also receive an additional three years of transition funds

as they lose eligibility for equalization grants. Hernando and Santa Rosa counties lose some funding due to the 10 percent cap for equalization grants under the new formula.

The bill eliminates the reference that the Chief Financial Officer shall issue warrants to the eligible political subdivisions. This is reflected in current practice and is seen as removing an unnecessary reference to the current practice.

C. SECTION DIRECTORY:

Section 1: Amends section 257.172, F.S., changes the determination and base grant for multicounty grants.

Section 2: Amends section 257.18, F.S., changes the process for determining eligibility for equalization grants, limits the amount of equalization grant funds that can go to any one county, and provides a maximum amount of State Aid that can go to equalization grants.

Section 3: Amends section 257.22, F.S., removes the provision that the Chief Financial Officer shall issue warrants to the eligible political subdivisions.

Section 4: Provides an effective date of July 1, 2008.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None. The bill changes the formula for State Aid funding to be distributed if appropriated. It does not appropriate additional monies.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Assuming FY 2007-08 appropriation levels and estimating local effort expectations, all but 4 counties would receive a slight (2% decrease) in funding. Transitioning counties will receive additional funding for a three year period. Some counties, with significant local effort, will have a reduction in funds due to the 10 percent cap for equalization grants under the new formula. In addition, one multicounty library will receive additional funds through the addition of a base funding eligibility for a two county service of \$50,000 in addition to the per capita funding allocation. Specifically, Clay County would receive additional funds for three years under the new formula's provision for transitioning out of eligibility for equalization grants. Under the new formula Nassau County will enter the three-year transition period. This will result in a slight increase under the new formula's direction to provide the same funding as last year in the first transition year, based on the assumption that their local effort will be reduced from the previous year. In the future, other counties will also receive an additional three years of transition funds as they lose eligibility for equalization grants. Hernando and Santa Rosa counties lose some funding due to the 10 percent cap for equalization grants under the new formula.

2. Expenditures:

Expenditures by local governments will likely need to be adjusted to reflect the change in state revenues received by local libraries.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

CS/HB 21 makes revisions in criteria for library multicounty and equalizations grants. This will prove to level the playing field and provide equality in funding for those counties that receive state aid for their public libraries. Although in all but 4 counties state aid will decrease by 2%, those counties that are not adequately funded will receive more monies, and those counties who are transitioning out of eligibility will receive three years of funding to compensate for the changes.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On January 24, 2008, the Committee on Tourism and Trade adopted an amendment that does the following:

- Corrects a technical error in the bill with the cap on the amount for equalization grants and clarifies how to factor in the cap of \$8,877,057 when the state aid appropriation does not fully fund equalization grants.