

Changes to the Public Library Fund, as enacted by FY12-13 state operating budget

July 28, 2011 revision

Forward

The enacted fiscal year 2012-2013 biennial budget (Am. Sub. H.B. 153, 129th General Assembly) makes important changes to the funding of the state's general-purpose revenue sharing funds, the Local Government Fund (LGF) and the Public Library Fund (PLF). The changes to the PLF are reflected in the accompanying Excel workbook and are discussed below.

Overview of prior law and new law

Prior law

During most of the FY10-11 biennial budget period (i.e., August 2009-June 2011), in each month the PLF received an amount equal to 1.97 percent of tax revenue received by the state General Revenue Fund during preceding month.¹ The amount of money deposited in the PLF in a particular month is distributed during that month by the Department of Taxation to the 88 county undivided public library funds. A complex formula in state law determines how the PLF is allocated among the county undivided PLFs. The county undivided PLF is subsequently distributed by county officials among the libraries (and to a relatively few other localities) within the county, based on an approach prescribed by state law.

New law

During the first month of the FY12-13 biennium (July 2011), PLF funding is based on 2.22 percent of state GRF tax revenues. For the remainder of the biennium, August 2011 through June 2013, the "percentage of revenue" funding method will not be used. Instead of receiving allocations tied to the amount of GRF tax revenue received each month, the PLF will receive a designated percentage of the specific dollar amounts received by the fund during the fiscal year 2011 (July 2010 through June 2011) "base year" period. A subsequent reduction to the monthly distributions will occur due to a mandated transfer from the PLF to several other library-related funds, as explained below.

Beginning in July 2013 the "percentage of revenue" funding approach goes back into effect. In July 2013, a one-time calculation of new funding percentages is to be performed. The new funding percentage shall replace the 2.22 percent rate that was in statute. The new funding percentage will be obtained by dividing fiscal year 2013 PLF deposits by total GRF tax revenues received during fiscal year 2013.

Detail on Public Library Fund changes

Amounts distributed from PLF

During the FY 2010-2011 biennium, the PLF received 1.97 percent of state General Revenue Fund tax revenues instead of the 2.22 percent established in statute. This means the FY10-11 PLF funding percentage was set at roughly 89 percent of the level provided under the law in effect prior to that biennium.

¹ Note that the temporary funding percentage in effect during the August 2009-June 2011 time frame was a reduction from the statutorily-based 2.22 percentage funding level that had been in effect during the January 2008-July 2009 period.

For the August 2011 through June 2013 period, the budget funds the PLF at 95 percent of the amount received during FY 2011 (before the transfers from the PLF explained immediately below).² As an example, in September 2011 the PLF would receive \$25.2 million (rounded), which is 95 percent of the \$26.5 million received in September 2010, before taking into account the PLF transfer. Once that transfer is made, the PLF distribution in September 2011 will be \$24.7 million.

Section 325.10 of HB 153 requires monies are to be transferred during FY12 and FY13 from the PLF to the OPLIN Technology Fund and to the Library for the Blind Fund. The transfers from the PLF to both funds will occur on a monthly basis beginning in August 2011.³ The total FY12 transfer of \$4,963,595 will be spread equally across the August 2011 through June 2012 period, amounting to \$451,236 per month. The total FY13 transfer will be \$4,963,982, spread equally across the July 2012 through June 2013 time period. The monthly transfer in FY13 will be \$413,665.

Allocation among recipients

For the July through December 2011 time period, the PLF proceeds among the counties are based on each county's share of overall calendar year 2010 PLF distributions.⁴ For the January 2012 through June 2013 time period, the PLF proceeds shall be allocated among the counties based on each county's share of calendar year 2011 PLF distributions.⁵

Resumption of "percentage of revenue" funding beginning in FY 2014

"Percentage of revenue"-based funding is scheduled to resume in July 2013. The funding percentage is based on a one-time calculation: PLF deposits during FY 2013 are divided by FY 2013 state GRF tax revenues to yield the new PLF funding percentage starting in FY 2014.

Projected distributions, by calendar year

Presented below are the total monthly PLF distributions for the January 2009 through June 2013 time frame. Despite the reductions that take effect in August 2011, aggregate PLF distributions for calendar year 2011 will exceed their 2010 levels. This is due to year-to-year revenue growth that caused an increase in distributions during the first seven months of CY 2011 (as well as the one-time increase in the PLF funding percentage during July 2011, back to the 2.22 percent level in effect before August 2009); such growth will more than offset the reduced funding level in effect during the last five months of 2011.

Counties will experience varying growth rates during CY 2011. This reflects two different sets of county allocation percentages in place during 2011: one set was used during the first six months, based on the permanent-law PLF allocation formula; another set, to be used during the last six months, is based on each county's share of CY 2010 distributions. Despite the variations among the counties, each county will experience at least some distribution growth during 2011.

² Note, however, that July 2011 PLF deposits are equal to 2.22% of June 2011 GRF tax revenues. This is the only month of the FY12-13 biennium in which funding is based on the percentage-of-revenue approach.

³ An earlier edition of this document indicated that the transfers would occur in August 2011 and August 2012. This original arrangement has been replaced by a monthly transfer arrangement.

⁴ To clarify, the PLF distributions made during calendar year 2010 are totaled across all months and all counties. From these 12-month totals, a percentage share figure is computed for each county. This specific percentage share figure will be used in making the distributions for each month of the July – December 2011 period.

⁵ A percentage share computation is made for the CY 2012 distributions as is performed for the CY 2011 distributions, as explained below. The PLF distributions made during calendar year 2011 are totaled across all months and all counties. From these 12-month totals, a percentage share figure is computed for each county. This specific percentage share figure will be used in making the distributions for each month of the January 2012 – June 2013 period.

CY 2012 distributions will equal 94.3 percent of CY 2011 distributions.⁶ Because the county allocation shares used in CY 2012 are based on each county's relative share of total CY 2011 PLF distributions, during CY 2012 each county will experience an identical percentage change in distributions (in other words, each county's 2012 distribution will be 94.3 percent of its 2011 level).

Each county's January-June 2013 distributions will be the same as its January-June 2012 distributions except for slight differences in the amount of the transfers to the Library for the Blind Fund and OPLIN Technology Fund: the total monthly transfers occurring in the January-June 2013 time period will be \$37,571 less than the monthly transfers made during January-June 2012.

We have not developed estimates beyond June 2013 so full-year distribution projections for 2013 are not available. Even so, note that because the law provides for the restoration of "percentage of revenue" funding in July 2013, distributions during the last half of 2013 will increase to the extent state GRF tax revenues grow.

Public Library Fund distributions, January 2009-June 2013

(amounts in millions)

Budget bill law changes take effect in **August 2011**.

Figures are after monthly transfers from the PLF that begin in August 2011.

	CY 2009	CY 2010	CY 2011	CY 2012	Jan-June 2013
January	\$35.5	\$29.9	\$31.5	\$29.5	\$29.5
February	42.4	32.6	36.8	34.5	34.5
March	23.8	20.3	21.5	19.9	20.0
April	27.5	24.7	28.2	26.3	26.4
May	43.6	39.9	45.9	43.1	43.1
June	33.2	28.9	32.2	30.1	30.2
July	33.8	32.1	38.4	30.1	not estimated
August	24.2	25.5	23.7	23.8	not estimated
September	24.9	26.5	24.7	24.7	not estimated
October	29.3	31.5	29.5	29.6	not estimated
November	27.8	29.2	27.3	27.3	not estimated
December	<u>24.3</u>	<u>26.9</u>	<u>25.1</u>	<u>25.2</u>	not estimated
TOTAL	\$370.4	\$348.0	\$364.7	\$344.0	not estimated

⁶ The large differences in the July 2011 and July 2012 distributions merit an explanation. The July 2012 distributions will equal 95% of the **July 2010** distributions (with a subsequent \$413,665 reduction due to the monthly transfer from the PLF). In contrast, the July 2011 distributions were based on 2.22% of state GRF revenues received in June 2011. Because the amount of GRF tax revenues underlying the July 2011 distributions exceeded the revenues underlying the July 2010 distributions (and also because July 2011 distributions used a 2.22% funding percentage compared to the 1.97% funding percentage in effect in July 2010), the July 2011 PLF distributions were considerably higher than the July 2010 distributions. The budget's PLF funding structure results in July 2012 distributions being approximately 78% of the July 2011 distributions. The decline in July distributions helps produce the observed total calendar year outcomes, i.e., CY 2012 distributions being 94% of the level experienced in CY 2011.