

# Ohio Public Libraries Transform

## State Funding History of Ohio’s Public Libraries

*“Free libraries maintained by the people are cradles of democracy, and their spread can never fail to extend and strengthen the democratic idea, the equality of the citizen and the royalty of man. They are emphatically fruits of the true American ideal.” -Andrew Carnegie at the 1903 dedication of the Carnegie Library in Washington, D.C.*

### CURRENT STATUS

	PLF Annual Total (millions)	% Change from 2008 base	% Change from year prior
CY 2008	\$450.6		
CY 2009	\$370.4	- 17.8%	- 17.8%
CY 2010	\$347.9	- 22.8%	- 6.1%
CY 2011	\$364.7	- 19.1%	+ 4.8%
CY 2012	\$344.3	- 23.6%	- 5.6%
CY 2013	\$351.9	- 21.9%	+ 2.2%
CY 2014	\$345.1	- 23.4%	- 1.9%
CY 2015	\$380.9	- 15.5%	+ 10.4%
CY 2016 (ESTIMATE)	\$378.7	- 15.9%	- 0.5%

In 2014, the Ohio Library Council (OLC) and Ohio’s public libraries began a statewide campaign to educate legislators and members of the media on state funding for Ohio’s public libraries and the services they provide. As a result of that campaign, the Ohio General Assembly decided to restore some funding to the Public Library Fund (PLF). The legislature temporarily increased the percentage of the state’s General Revenue Fund (GRF) that goes toward the PLF from 1.66% to 1.7% for the fiscal year (FY) 16 and FY 17 biennium. This increase coupled with the growth in the economy resulted in a 10.4% increase in revenue in 2015. However, this has not been the case for 2016. The anticipated modest growth has not been fully realized as state revenues for 2016 have been coming in below estimates.



# State Funding History of Ohio's Public Libraries... *continued*

## **EARLY HISTORY**

The history of public library funding in Ohio traces the growing commitment of its citizens to the importance of life-long learning. In 1817, the Ohio General Assembly enacted legislation providing for the incorporation of public libraries, but provided no financial support. The School Act of 1853 codified local tax support for public schools, and some of that tax money was used to create school libraries, which were open to the public. In 1869, legislation was passed that authorized municipalities to open and maintain free public libraries. This legislation made it possible for communities to apply for Carnegie grants in the early 1900s.

## **ANDREW CARNEGIE**

The Carnegie "free library" program provided funds for the construction of 1,689 public libraries in 1,419 communities across the United States. Communities requesting a Carnegie library were required to provide a site and pledge an annual appropriation for books and maintenance. The pledge would usually amount to 10% of the Carnegie gift. The size of the Carnegie gift was based on the population of the town – usually \$2 per capita.

Ohio built 106 public libraries with Carnegie grants and many of these libraries continue to serve their communities today. As an example, in 1901 the main library in Columbus received a grant for \$200,000. That building, with the words "Open To All" etched in the stone above the front door, has remained an integral part of downtown Columbus.

## **STATE SUPPORT**

Beginning in 1933, public libraries in Ohio were supported almost entirely from revenues from the intangible personal property tax. This was a tax levied on individuals' holdings of intangible assets – mainly stocks and bonds. Though the tax was state-imposed and applied uniformly throughout Ohio, it was collected locally. The revenue remained in the county of origin, where it was distributed to library systems in that county in accordance with "need."

This system of library finance, unique in the United States, had several results. Some counties, because of large holdings of taxable intangible property or vigorous local tax enforcement efforts, realized great revenue. Others received very little. By the late 1960s, some of Ohio's largest library systems were justly renowned for the strength of their collections, the breadth and variety of services offered, and their qualified professional staff. However, there were many areas of Ohio where public library service was virtually nonexistent. In Adams County, with a 1970 population of about 19,000, the public library service consisted of two small local libraries that received a total of only \$19,100.

## **LIBRARY AND LOCAL GOVERNMENT SUPPORT FUND**

In 1983, the Ohio General Assembly repealed the intangible personal property tax based on recommendations from a bi-partisan study of the state's entire tax system.

Governor Richard Celeste then created the Public Library Financing and Support Committee, consisting of members of the House and Senate, public library directors, the dean of the Kent State University School of Library Science, teachers, and financial experts, to determine how the state should replace the intangible personal property tax funding for public libraries.

This committee determined that the monetary loss libraries experienced through the repeal of the intangible personal property tax was equal to 6.3% of Ohio's personal income tax revenue.

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Therefore, 6.3% of Ohio's personal income tax receipts were earmarked for the Library and Local Government Support Fund (LLGSF).

The Public Library Finance and Support Committee set forth two goals for the state's library fund distribution plan: 1. To preserve excellence in existing service; and 2. To improve library service in underfunded and underserved areas. To accomplish these goals, the distribution formula divided the LLGSF among all of the state's 88 counties in two ways. First, the formula guaranteed each county the amount of revenue received from the fund in the preceding year plus an adjustment for inflation. This part of the distribution was called the "guarantee share." Second, if any money remained in the fund after paying each county's guarantee share, then that remainder was distributed according to an "equalization ratio." The equalization aspect of the formula distributes the excess over the guarantee in inverse proportion to per capita funding levels among the counties – those counties which received less per capita in the guarantee share, received more in the equalization share. Thus, over time, the distribution to counties began to balance.

### **FUNDING FREEZE (1991)**

In July 1991, in response to a weakening economy and a state budget crisis, Governor George Voinovich froze the LLGSF in House Bill (HB) 298, the biennial budget bill. This freeze was to take place over a 12-month period and a partial "thaw" for six months after that. However, before the thaw ever began, it was replaced by another six-month total freeze in HB 904, the budget corrections bill enacted in December 1992. This freeze denied \$31.6 million in expected revenues to the LLGSF.

### **LIBRARY GROWTH**

As the economy began to recover in 1993, and personal income tax revenues began to grow, the Ohio General Assembly passed legislation that reduced the 6.3% set aside for public libraries to 5.7%. The 1993 tax distribution was the first year that the LLGSF was set at 5.7% in permanent law. From 1993 through December 2001, the LLGSF experienced increases parallel to economic growth experienced in the state budget. Over that time period, the LLGSF grew from \$284,700,000 to \$496,458,342. In addition to these levels of growth, the state passed a temporary income tax reduction and held harmless the public libraries by establishing an Income Tax Reduction Replacement Fund. This fund returned to the LLGSF from the General Revenue Fund an amount equal to the income tax reduction each year.

### **FUNDING FREEZE (2002-2007)**

Beginning in January 2001, it became clear the country was beginning a decline in economic growth. The state began cutting state agency budgets and proposed a no-growth biennium budget. The state's fiscal year FY 02-03 biennium budget called for the LLGSF to be frozen to the distribution levels of July 2000 – June 2001, and to divert the money necessary to fund the Ohio Public Library Information Network (OPLIN) from the LLGSF.

As the national economy continued its downward trend in the second half of 2001, it became increasingly clear that additional cuts in the state budget were going to be necessary. Again, state agencies and programs endured across the board cuts. In the budget corrections bill (HB 405) for FY 02-03, the three local government funds including the LLGSF were initially slated for a 6% cut in funding. Instead, the General Assembly agreed to allow the LLGSF to collect 5.7% of the personal income tax or the freeze amount, whichever was less. The result was that libraries collected the frozen amount of money each month, but an adjustment was made in March (\$5 million) and July (\$31 million) of 2002 because the freeze amount that was distributed exceeded the amount of money libraries would have collected at 5.7% of the personal income tax.

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The decline in the economy continued throughout the rest of the biennium. Early in 2003, it was apparent that the state budget was still out of balance, despite previous budget corrections bills. To respond to this continuing budget problem, the Ohio General Assembly passed another budget corrections bill, HB 40. This legislation allowed the Governor to reduce public library funding by an additional \$10 million.

The 2004-2005 biennium budget (HB 95) had a proposal to return public library funding to its permanent law percentage of 5.7% with a 2% growth cap. Unfortunately, alterations were made to the proposal and the LLGSF remained frozen at the 2002 distribution levels. In the 2006-2007 biennium state budget, library funding was frozen as it had been since 2004.

### **PUBLIC LIBRARY FUND (PLF)**

On June 30, 2007, Governor Ted Strickland signed into law the state's FY 08-09 biennium budget and, with it, began a new era of anticipated stability and the opportunity for growth in state funding for Ohio's public libraries. As of January 2008, Ohio's libraries were funded through 2.22% of the state's total general tax revenue. The new funding source broadened the base of library funding to all general tax revenue for the state.

In addition, Senate Bill (SB) 185 changed the name of the Library and Local Government Support Fund to the Public Library Fund effective June 20, 2008. The name change more clearly identifies the purpose of these funds.

In September 2008, the nation's economy began heading toward its historic crash and, with it, went the budgets of every state government including Ohio's. August 2008 was the last month that the Public Library Fund (PLF) had a small amount of growth. The PLF was funded with 2.22% of the total tax revenue received by the state, but as state tax revenues were forecasted to decline, so was the funding for the PLF. It was clear that along with the economy, library funding from the state was in a downward spiral.

In January 2009, as Governor Strickland was putting the finishing touches on HB 1, the FY 10-11 biennium budget, it was still unclear just how far the economy would deteriorate. The PLF was projected to lose 15-20% just based on the declining state revenue.

On June 19, 2009, as HB 1 languished in Conference Committee, Governor Strickland held his "Budget Framework" press conference where he announced a series of recommendations to the legislature to balance the state's budget. The two largest proposed cuts were a reduction in the state's employer contribution share of OPERS and a 30% reduction in funding to the PLF, in addition to the already projected 15-20% loss (projected to cost libraries more than \$200 million).

The patrons of public libraries were stunned and mounted an unprecedented response to this proposal. Quickly, the Ohio General Assembly rejected the Governor's proposal.

Instead, legislators reduced the PLF funding percentage from 2.22% to 1.97%. The result of this was an 18% loss in funding in 2009 for public libraries. The decline in state funding for public libraries continued in 2010 because state revenues did not rebound. As of December 2010, public libraries received nearly 23% less than they did in 2008.

Beginning in 2011, the PLF finally started to experience a small amount of growth. However, the state was still experiencing a significant projected budget deficit fueled primarily by Medicaid and education costs. Again the PLF was the target of the budget ax, in FY 12 and FY 13 the PLF was

## **State Funding History of Ohio's Public Libraries... *continued***

frozen at 2010 levels and then cut 5%. In addition, the FY 12-13 biennium budget legislation required that the existing 2.22% PLF percentage be recalculated for the FY 14-15 budget on June 30, 2013. The expectation of the Office of Budget and Management (OBM) and General Assembly was that the reset allocation would provide a restoration of some modest growth in the PLF to offset the decline that resulted from temporary cuts and freezes in recent years.

Unfortunately, the date used to reset the PLF percentage was just prior to the passage of sweeping tax reforms when the PLF was at a low point and the state's revenue was at a high point. The PLF percentage was reset to 1.66% of the GRF. As a result, Ohio's public libraries experienced another reduction in revenue in 2014 instead of the growth projected in budget documents.

See Current Status on page 1 for current funding information.

## State Funding History of Ohio's Public Libraries... *continued*

### PLF/LLGSF Distribution History

Year	Library Funding	Notes
1985	\$156,618,298	Final year of intangible personal property tax
1986	\$178,229,201	
1987	\$207,373,790	
1988	\$218,263,654	
1989	\$251,330,881	
1990	\$262,655,557	
1991	\$268,793,142	
1992	\$268,793,142	
1993	\$284,700,000	
1994	\$299,700,000	
1995	\$315,300,000	
1996	\$338,400,000	
1997	\$367,400,000	
1998	\$417,000,000	
1999	\$458,800,000	
2000	\$484,100,000	
2001	\$496,458,342	
2002	\$457,671,290	OPLIN funding taken out of LLGSF
2003	\$452,648,009	
2004	\$455,470,323	
2005	\$457,692,919	OPLIN funding returns to GRF
2006	\$457,970,324	
2007	\$457,970,324	
2008	\$450,578,991	Change to 2.22% of GRF tax revenue
2009	\$370,367,615	Temporary change to 1.97% of GRF tax revenue, effective August 2009.
2010	\$347,952,235	
2011	\$364,671,108	
2012	\$344,252,252	1.5% deducted for OPLIN and Lib. Services for the Blind & Physically Disabled
2013	\$351,913,895	2nd half of calendar year calculated at 1.66%
2014	\$345,132,619	
2015	\$380,895,471	2nd half of calendar year calculated at 1.7%
2016	\$378,747,549	Projected

# State Funding History of Ohio's Public Libraries... *continued*

## Ohio Public Library Statistics

Year	Population	Registered Borrowers	FTE Staff	Circulation
1985	10,797,624	5,542,313	5,777	81,618,969
2000	11,353,140	7,424,497	9,768	144,910,777
2001	11,353,140	7,823,666	9,997	156,375,722
2002	11,421,267	7,932,720	10,085	165,454,936
2003	11,421,267	8,023,774	9,925	166,839,639
2004	11,459,011	7,821,028	9,661	170,034,977
2005	11,464,042	8,057,403	9,902	172,267,056
2006	11,469,948	7,952,364	9,717	178,581,837
2007	11,497,070	8,006,979	9,701	182,647,828
2008	11,511,499	8,075,370	9,774	192,318,732
2009	11,542,032	8,191,152	8,704	196,245,957
2010	11,554,798	8,756,833	8,517	188,552,584
2011	11,539,370	8,794,461	8,643	189,946,394
2012	11,541,952	9,069,820	8,912	189,563,290
2013	11,529,465	8,968,809	8,960	185,348,458
2014	11,594,163	9,043,300	8,924	183,159,798

Source: State Library of Ohio

Information provided by:

Driscoll, Bill and Levin, Rich. "The Freeze of Ohio Library Funding: Analysis and Impact." *Ohio Libraries* (April 1993): 15-23.

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