

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1063
 Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation

Libraries - Regional Resource Centers and County Public Libraries - Funding

This bill increases the per capita funding amount that must be provided to each regional resource center and to each county public library system participating in the State’s library program, beginning in fiscal 2016.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund expenditures increase by \$3.2 million in FY 2016 due to increases in per capita aid amounts to local public library systems and to regional resource centers. Future year expenditure increases reflect accelerated per capita aid, population increases, and the estimated impact of increased State aid on library retirement costs beginning in FY 2018. Revenues are not affected.

(\$ in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	3.2	5.5	5.9	6.2
Net Effect	\$0	(\$3.2)	(\$5.5)	(\$5.9)	(\$6.2)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local library system revenues from direct State library aid increase by an estimated \$3.2 million in FY 2016 and by \$5.6 million in FY 2019 due to increases in per capita aid amounts and population increases. The required minimum local funding increases begin in FY 2016. However, because local governments tend to fund their local libraries above the minimum required level, local expenditures may not be affected.

Small Business Effect: None.

Analysis

Bill Summary: Per capita State aid for regional resource centers is increased by \$0.75 in fiscal 2016 and by \$1.25 each fiscal year beginning in fiscal 2017. Per capita State aid for local public library systems is increased by \$1.00 in fiscal 2016 and by \$1.70 each fiscal year beginning in fiscal 2017. **Exhibit 1** compares per capita State aid under current law and under the bill.

Exhibit 1 Per Capita State Aid Increases Under Legislation

Fiscal Year	Regional Resource Centers				Local Public Library Systems			
	Current Law	Proposed	Diff.	% Diff.	Current Law	Proposed	Diff.	% Diff.
2015	\$6.75	\$6.75	\$0.00		\$14.00	\$14.00	\$0.00	
2016	6.75	7.50	0.75	11%	14.00	15.00	1.00	7%
2017	7.00	8.25	1.25	18%	14.30	16.00	1.70	12%
2018	7.25	8.50	1.25	17%	14.60	16.30	1.70	12%
2019	7.50	8.75	1.25	17%	15.00	16.70	1.70	11%

Current Law/Background:

State Library Network

The State provides funds to libraries designated as resource centers including the State Library Resource Center in Baltimore City and to regional resource centers, including the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown. State funding for the State Library Resource Center had been steady at \$1.85 per Maryland resident, but several Budget Reconciliation and Financing Acts have reduced the per capita amount. Chapter 487 of 2009 reduced the amount to \$1.67 per resident in fiscal 2010 and 2011. Chapter 397 of 2011 held funding at \$1.67 per resident for fiscal 2012 through 2016, before a phase in to \$1.85 in 2019 and in subsequent years. Chapter 397 also set funding for regional resource centers at \$6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to \$7.50 per resident in fiscal 2019 and in subsequent years. Under the Governor's proposed fiscal 2015 State budget, funding for the State Library Resource Center (which is not affected by the bill) totals \$9.8 million and for regional resource centers totals \$6.4 million.

Minimum Per Capita Library Program

The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. Overall, the State provides 40% of the minimum program and the counties provide 60%. The State/local share of the minimum program varies by county depending on local wealth. However, no library board may receive less than 20% of the per capita minimum program from the State.

The local share of each library board's minimum per capita program equals the local contribution rate multiplied by local wealth. The local contribution rate is a statewide rate representing the counties' aggregate share of the minimum library program divided by total local wealth. Specifically, the local contribution rate equals the overall local share (60%) multiplied by the per capita program level multiplied by total State population and divided by total State wealth. The State's share of each library board's minimum per capita program equals the local share subtracted from the product of the per capita program and county population.

Chapter 481 of 2005 started a phase in of enhancements for the library aid formula, increasing the per-resident allocation by \$1 per year from \$12 per resident in fiscal 2006 to \$16 per resident by fiscal 2010. However, budget reconciliation legislation enacted between 2007 and 2011 slowed enhancements and reduced the target per-resident amount to \$14 from \$16. The per-resident amount for fiscal 2012 through 2016 is \$14, phasing up to \$15 by fiscal 2019 and in subsequent years. Fiscal 2015 funding for the library aid formula, per the Governor's proposed fiscal 2015 State budget, totals \$34.4 million.

State Expenditures: Exhibit 1 shows the per capita aid increases under the bill. State formula aid to regional resource centers increases by approximately \$717,600 in fiscal 2016, and based upon current projections for population growth by approximately \$1.2 million by fiscal 2019. State library program aid increases by approximately \$2.5 million in fiscal 2016 and by \$4.3 million by fiscal 2019. Thus, direct aid increases by approximately \$3.2 million in fiscal 2016 and by approximately \$5.6 million in fiscal 2019.

To the extent that the additional funding is used to hire personnel and otherwise increase the statewide salary base for local library systems, State retirement expenditures increase beginning in fiscal 2018. If half of the increase in direct aid contributes to the salary base, then State retirement aid on behalf of local library employees increases by approximately \$375,000 in fiscal 2018 and by approximately \$643,000 in fiscal 2019.

Local Fiscal Effect: State formula aid to regional resource centers increases by approximately \$717,600 in fiscal 2016, including an increase of approximately \$263,600 for the Eastern Resource Center, \$264,500 for the Southern Resource Center, and \$189,600 for the Western Resource Center. State aid to regional resource centers increases by approximately \$1.2 million by fiscal 2019, including an increase of approximately \$442,200 for the Eastern Resource Center, \$453,800 for the Southern Resource Center, and \$315,400 for the Western Resource Center. Local governments receive library program aid increases totaling approximately \$2.5 million in fiscal 2016 and \$4.3 million by fiscal 2019 as shown in **Exhibit 2**.

Exhibit 2
Estimated Increase in State Aid Under the Library Aid Formula

County	FY 2016	FY 2017	FY 2018	FY 2019
Allegany	\$52,666	\$88,370	\$87,378	\$86,303
Anne Arundel	152,287	256,550	257,505	263,468
Baltimore City	436,723	743,021	743,395	741,764
Baltimore	385,514	655,508	658,594	660,687
Calvert	29,166	49,902	50,080	49,805
Caroline	19,587	33,083	32,741	32,164
Carroll	63,128	103,907	101,555	100,134
Cecil	51,479	86,655	86,087	85,716
Charles	67,663	116,150	117,590	119,075
Dorchester	18,231	30,798	30,559	30,214
Frederick	98,436	168,997	171,132	173,079
Garrett	7,887	12,436	11,543	11,116
Harford	113,338	198,677	202,413	202,057
Howard	61,018	105,690	108,708	114,940
Kent	6,753	11,915	12,014	11,653
Montgomery	203,713	351,087	355,929	360,837
Prince George's	496,843	855,380	866,161	873,117
Queen Anne's	11,345	19,792	19,933	19,738
St. Mary's	45,374	78,216	79,506	81,179
Somerset	19,334	32,813	32,672	32,393
Talbot	7,648	13,051	13,101	13,151
Washington	84,434	143,229	143,206	143,150
Wicomico	69,002	118,692	119,967	120,584
Worcester	10,340	17,619	17,660	17,702
Total	\$2,511,909	\$4,291,538	\$4,319,429	\$4,344,026

The increase in the library program per capita amount also increases the required minimum local funding amount under the library program. However, under current law, local governments tend to fund their local libraries above the minimum required level.

Additional Information

Prior Introductions: None.

Cross File: SB 430 (Senators King and Miller) - Budget and Taxation.

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