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The budget process and ACRL financial issues

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Exploring the mysteries of the ACRL budget.

Un unraveling the financial secrets of the Association of College and Research Libraries is a problem frequently discussed by members active in ACRL chapters, sections, and committees. Having spent four years on the ACRL Budget and Finance Committee, and well over a decade in chapter and section activities, I have seen the financial picture from both ends of the spectrum. I know the frustration of working within the timeframe necessary to gain financial support for unit activities and I now understand the reason behind many of the fiscal policies that sometimes seem to constrain members' creative ideas.

I will never forget my anger and indignation as program chair when we were unable to secure program funding to cover an honorarium for a non-librarian speaker at a section program being planned for the 1980 annual conference. This past spring I had to tell a section officer planning an extraordinarily fine program for New Orleans that ACRL policy prohibits paying honoraria for unit-sponsored programs during conferences. This is

just one of the many issues that members raise repeatedly and that deserve explanations.

Planning and managing the division budget

Before we discuss some of those issues, however, it will be helpful to review the ACRL budget process and language. The ACRL Board of Directors is ultimately responsible for the division budget. The Board, however, depends heavily on the Budget and Finance Committee for in-depth planning and a review of each financial issue, and on the ACRL Executive Director for the month-to-month monitoring of income and expenditures.

The annual budget for the operation of ACRL and the publication of *Choice* is nearly \$2.4 million. The division consists of over 10,000 members who participate in at least 40 divisional committees and task forces, 14 sections, 155 section committees, 39 local chapters, and 14 discussion groups. The division supports continuing education courses, pre-conferences, serial and monographic publications, and, every three years, a national

conference. All of these activities cost money (expenditures) and some of them generate income (revenue). To assure its smooth functioning, the division hires an Executive Director and ten additional staff members who are housed in ALA offices in Chicago and 19.5 FTE staff in the *Choice* offices in Middletown, Connecticut.

Calendars govern division activities

There are three years under which ACRL operates:

The ALA fiscal year: September 1 to August 31.

Your ALA membership year: renewal date to renewal date.

The ALA conference year: from the end of one annual conference to the end of another.

These various cycles affect the budget process. The *fiscal year* dictates when the financial records officially open and close for a twelve-month period. It is at the end of the fiscal year that the budget must be balanced, with revenue meeting expenses. But much of the revenue, in the form of membership dues, flows in according to the *membership year*, and many of the expenses associated with member activities are expended according to the *conference year*. Blending these cycles into the budget planning process is indeed an administrative challenge.

Three fiscal years at once

During midwinter meetings, the Board and the Budget and Finance Committee look at three separate fiscal years. This year, for example, they will review the final reports of Fiscal Year 1987–88 (FY 1988), which ended August 31, 1988, and will study the most recent monthly report showing the status of the current fiscal year (FY 1989), making adjustments as necessary. But the Budget and Finance Committee will spend the biggest block of time planning the budget for the upcoming fiscal year (FY 1990), which will begin on September 1, 1989.

The FY 1990 budget will not be presented to the ACRL Board of Directors until the 1989 Annual Conference, but because the budget is large and involves many activities, the Committee and the Executive Director spend nearly eight months developing it. Although it may be confusing at first to deal with three separate fiscal years at the same time, doing so is essential for tracking accomplishments and understanding trends.

Fiscal policies as guidelines

Over the nearly 50 years as a division of ALA, ACRL has developed fiscal policies that seem to function well as guidelines for expenditures. The *ACRL Fiscal Policy Manual* was compiled over the past 12 years and greatly assists the Board in making equitable and consistent decisions. The manual

is reviewed by the Budget and Finance Committee, which frequently recommends additions and revisions to the Board.

Member goals

The careful and systematic planning that goes into budget projections would not be possible without the member-driven strategic plan. *Strategic Planning for ACRL*, as written by the Strategic Planning Task Force after two years of wide consultation with members, was approved by the Board in 1986. Now, the Planning Committee, a standing committee of the division, is responsible for assisting the Board in monitoring progress toward achieving the goals of the plan. And the role of the Budget and Finance Committee is to scrutinize proposed expenditures to see how they may bring the division closer to goals in the plan. In this way, the division budget supports the strategic plan, which is member-driven.

The reserve fund

Over the years, members ask for clarification of various policies and issues. One of the most frequently asked questions was why the division budget had a growing fund balance at the end of each fiscal year. From FY 1982 to FY 1987, each year when the books were closed, expenses were less than revenue and the fund balance grew. It is not a “surplus,” rather it is an intended cash reserve.

In accordance with generally accepted association management principles, the Board wished to accrue a reserve fund equal to one-half the annual operating expenses on an average of the preceding three years. This desire grew after the division had seen some very lean years in the 1970s.

The impression that many members had, however, was that the division was not spending its money nor investing it appropriately into member divisions. At the close of FY 1987, when the reserve fund surpassed the amount equal to one-half the annual operating expenses based on an average of the preceding three years, the Board was prepared and established a program for Special Grant Funds. Under the auspices of the Special Grant Funds program, ACRL units may request funding on a non-recurring basis for projects that may not be fundable through other sources. It is anticipated that Special Grant Funds will be available after any year when the fund balance exceeds the mandated reserve fund.

The Board also made commitments to dip into the fund balance in order to pay for two non-recurring expenses: contributions to the Hugh Atkinson Memorial Award fund and the development of “Output Measures for Academic Libraries.” Indications at this time are that the fund balance will be very close to (if not less than) the mandated permanent reserve by the end of FY 1989.

Conference programs

The American Library Association, *not* ACRL, sponsors annual conferences and midwinter meetings and is responsible for administering revenue and expenses associated with them. As much as possible, expenses incurred from annual conferences and midwinter meetings are to be covered by revenue generated from those conferences. Registration fees for members and exhibitors are primary sources of income for conferences. ACRL does not directly receive conference revenue, but it does receive indirect support by way of meeting, program, and office space; staff travel expenses; announcement space in program publications; some audiovisual support; and reprographics. The Board acted in 1985 to formalize a long-followed tradition that money from the ACRL general operating fund would not be spent on speakers' expenses for ALA conference programs except for those expenses incurred by the membership meeting and president's program at annual conference. ALA also provides an allocation to divisions to help support annual conference programs. This is based on applications and is competitive.

Section newsletters

Over the years, active sections had requested funding to support newsletters. In 1985 the Board decided to fund newsletters for any section that requested funding. Each section may now receive funding for two 8-page newsletters per year, or for an annual newsletter of 16 pages. The allocation to support the service has increased from zero in FY 1984 to \$27,604 in FY 1988.

Some sections have requested additional funding to publish longer issues or more copies for wider distribution, but the Board has been reluctant to increase the allocation because of the high cost and the precedent that may be set. Obviously section newsletters are meeting a need, providing a vehicle for communication between conferences, and reaching members who are unable to attend conferences. But meeting that need has added a new expense line to the budget line *without a matching line in the revenue column*.

Member services

Over the past few years the cost of service to members has steadily increased, but dues have not increased and the number of paid members has risen only slightly. At this time revenues generated from publications and advertising sold to vendors underwrite services to members. The Budget and Finance Committee is concerned about revenue and, not wanting to increase dues, is discussing alternative sources of revenue to help meet the many demands on the division's budget. A Financial Development Task Force has been appointed to look into possibilities.

Discussion groups

The purpose of divisional discussion groups is to provide a forum for members to meet during annual conferences and midwinter meetings to discuss issues of mutual concern. In 1978 the Board decided to formalize a fiscal policy restricting financial support of discussion groups, allowing them meeting space only. The intent is that they remain loosely structured without numerous officers or committees. The discussion group forum has withstood the test of time and continues to be very useful to members.

ALA and the divisions

Over the past several years the American Library Association has been analyzing its relationship to its divisions. One outcome of that study has been plans to pass on to divisions certain indirect costs not previously charged. A new "Operating Agreement" between ALA and the divisions is under negotiation and will undoubtedly affect ACRL's budget.

The ALA Membership Office is updating its computer system so that soon the division will have access to more membership data and will be able to manipulate it more effectively. One of the goals is to be able to track librarians who do not renew their membership, ascertaining why they choose not to rejoin the division. By contacting them, ACRL will be able to learn how it might better meet their needs and will have an opportunity to convince them to become active in the division. Until this year, ALA was unable to provide sufficient membership data to its divisions to pursue such goals.

ALA accounting practices

ALA has been phasing in a new accounting system, introducing accrual accounting practices instead of cash accounting. The year of the actual transfer, FY 1987, saw a reduction of the fund balance, but fortunately—because ACRL had been gradually accruing a permanent reserve—the loss did not devastate the division's budget. That loss was a one-time event and will not negatively affect the budget in the future.

From time to time the division discusses the possibility of placing some of its funds into an endowment. ALA has been reluctant to approve moving funds out of its operating accounts and thus out of access. To date the division is not maintaining an unrestricted endowment account.

How can members be financially effective in ACRL?

First, you must learn the budget process. You must come to know the calendar that drives the planning for each fiscal year. In November, each unit submits requests for an allocation to meet expenses anticipated to occur in the fiscal year begin-

ning the following September. The requests that are submitted to the ACRL office in November are reviewed by the Budget and Finance Committee during the midwinter meeting and then become part of the preliminary budget that is finalized and recommended to the Board in June. That budget goes into effect the following September 1. The corporate memory of each ACRL unit must be long; that is, active members must assist one another in becoming aware of and meeting the deadlines associated with the budget process.

You will learn to use the documentation that is available and to work within the budget process in order to be effective in divisional activities. Specifically, to be fully informed you should have copies

of three documents: 1) the *ACRL Fiscal Policy Manual*; 2) the *ACRL Guide to Policies and Procedures*, which contains a wealth of helpful hints including the budget calendar; and 3) the brochure entitled "Strategic Planning." None of the documents is formidable and the procedural information gained from reading them will more than pay for your investment of time.

As you work with the financial scene of ACRL, you will see that there are many, many more requests for funding than there are sources of revenue. Just as in our households and in our individual libraries, there are always more ways to improve our situations and spend our money than there is money to go around. ■■

ACRL's financial plan

Prepared by the ACRL Budget and Finance Committee

Linda Piele, Chair

JoAn Segal, ACRL Executive Director

A preliminary hearing on the Financial Plan will be held at Midwinter on Sunday, January 8.

The ACRL Strategic Plan sets out an ambitious program of action for the Division. It assumes that there will be adequate financial resources to carry out that program. In the summer of 1987, the ACRL Budget and Finance Committee appointed a subcommittee to draft a financial plan for the Division to ensure that those resources would be adequate. At the San Antonio Midwinter Meeting, ALA COPEs recommended that divisions develop financial plans and suggested a uniform format. Using that format, the subcommittee, headed by Elizabeth Salzer, submitted a first draft in the spring of 1988. The Executive Committee discussed and revised that draft in April, and directed staff to do further analysis. In New Orleans, the

Budget and Finance Committee discussed the draft and suggested a few additional changes. They recommended, and the Board voted, that a preliminary hearing be held to discuss the Plan at the Midwinter Meeting in Washington, D.C., in January 1989.

We have already found the analysis valuable and enlightening. We look forward to your participation in the process of further development. Following the hearings, the Budget and Finance Committee and the Staff will make revisions in light of your comments. We hope to be able to adopt a plan at Dallas and to put in place an ongoing process for keeping it up to date.