

Bridging the Library Budget Gap

An Approach to Creating Fair User Charges

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A library user charge system should be designed to win acceptance from users and to yield significant recurring financial benefits to the library. The Francis A. Countway Library of Medicine at Harvard Medical School recently introduced such a system.

What Countway did was conceptually very simple. A team of administrators and consultants built one database about library service costs and a second database about library users. Then the team merged these databases to establish fair and auditable charges for library usage, which administrators can assess against individual users and affiliated institutions.

The Countway library study was the first in the nation to receive U.S. Department of Health and Human Services approval for indirect cost recovery on grant-sponsored research under new A-21 guidelines.

THE LIBRARY

Countway holds over 500,000 volumes and subscribes to over 5,000 current scholarly journals. In addition to standard reference and circulation functions, the library offers automated access to national bibliographic databases, interlibrary borrowing from a national network of libraries, reference workshops, and publications on new additions to monograph and serial collections.

The library is open to students, faculty and professionals affiliated with a wide variety of institutions. It serves the membership of approximately 40 schools and other non-profit institutions under formal agreements, and the membership of an additional 30 institutions under informal agreements. Virtually all current and potential users are members of one of these institutions. Over half of the users cite a non-Harvard institution as their primary affiliation.

In the face of escalating costs and increased demand from a wide variety of users, Countway administrators realized that users were not paying for

their share of library costs. They engaged consultants who were financial consultants to nonprofit organizations to help them close a substantial budget gap by recovering a fair share of service costs from users.

THE APPROACH

The joint administrator-consultant team provided the library an integrated set of financial analysis products that were essential for the attainment of the library's goal. The products included:

1. Consultation on the library's overall strategy to recover service costs from users.
2. A schedule of library services for which usage costs could be assigned.
3. A service cost database, created by a cost allocation system.
4. A computerized user database, created from the results of surveys specially designed and conducted.
5. Analyses of alternative methods of assessing costs to users (by manipulating the cost and user databases).
6. A final schedule of cost assessments, with backup documentation to satisfy auditors.

FORMULATING A STRATEGY

Before embarking on the project, the team selected an appropriate strategy for recovery of costs from users. The strategy ultimately selected by the library had the following elements. First, the full costs of the library were to be assessed upon users (there was to be a single assessment method for all users). Second, the assessments were to be sufficiently documented to enable users to pass on charges to third parties. Third, most of the cost recovery was to be in the form of institutional assessments rather than direct charges to individuals.

IDENTIFYING LIBRARY SERVICES

Early in the project, the team analyzed the key services of the library. We divided key services into two groups. In one group were ten services that provided a direct benefit either to individual users, such as copy service, or a restricted group of users. As an example of restricted service, some office space and meeting rooms in the building were controlled and used solely by the host university. The charges of these ten services are to be paid in the future at uniform unit rates by all users.

In a second group were nine core library services. These included the journal rooms, stacks, reference questions and charge-outs. Library administrators decided that all users would have

equal and essentially unlimited access to these services, and that the library will recover costs through annual assessments of affiliated institutions, based on their respective members' use of each of the nine services.

SERVICES COST DATABASE

The team compiled a database to provide the costs of the 19 key services. Since library expenses are only recorded in a traditional line-item format, we established costs for services through a two-step process. We first allocated line-item expenses to 17 library cost centers, then we reallocated cost center expenses into service charges.

To allocate expenses to library cost centers, we collected all costs incurred to operate and maintain library resources from the library's budget and expense records, which are audited financial records that provide summaries of charges for costs such as payroll, books, and utilities. The study then distributed those line-item expenses to 17 cost centers.

Some service costs were synonymous with cost center expenses—for example, the cost for journal use was simply the expense of the journal cost center. Other service costs were the sum of two or more cost distributions. Charge-outs, for example, had a labor component based on the circulation desk time and motion studies, and a book use component based on its proportion of books used in the year.

Examples of some of our reallocations of cost center expenses to services were the following:

17 Cost Centers into 19 Services

Circulation desk	Charge-outs
	Course reserve
	Circulation questions
	Library cards
Reference	Computer searches
	Reference questions
	Interlibrary loans
Acquisitions	Serials file questions

To allocate circulation desk costs among the four services, the team measured direct labor and materials costs of the circulation desk cost center through time and motion studies of each activity. It then apportioned the total costs of the circulation desk to these services based on their relative proportion of direct costs.

One of the 19 services was overhead services. The overhead category of service encompassed all library activities that maintain and enhance the library as an ongoing, productive resource. These functions—administration, cataloging, security—make the library available and valuable. After six alternative methods of allocation, the team allocated to affiliated institutions these costs based on the broadest measure of usage: length of time in the library spent by each affiliate's members.

LIBRARY USER DATABASE

The nine services to be financed from institutional assessments on the basis of member usage generate large expenses. In order to make these assessments acceptable to affiliated institutions, it was important to document who uses the library. The team measured library use through three week-long surveys conducted at different times in the academic year.

The team drew upon these surveys to build a computerized database of library use, the major affiliations of each user, and the purpose for which the visit was made (e.g., sponsored research, teaching, etc.). These data would have been almost impossible to collect through other methods.

The team carefully defined the questions about purpose of visit to distinguish organized research projects, research training and reimbursable health care as opposed to research for academic courses or personal reasons. These distinctions had to be made clear to users so that their answers would precisely measure the library portion of costs allocated to support federal research and other reimbursable activities. The costs associated with reimbursable activities could then be allocated by the affiliated institutions to the federal government and other financial sponsors.

CALCULATING LIBRARY CHARGES

After the survey results were analyzed by computer, the team calculated allocations for each institution by multiplying the cost to use each service times the number of times the service was used by the institution's members. Using the survey results, the team calculated the cost for each visit (weighted for the time of year), distributed the cost among five purposes for using the library, then divided the costs for any users with multiple affiliations.

The team distributed the cost for each visit to various purposes by the percentages listed on the user's form. For example, if a user said that 50% of that visit was for "organized research," then research was allocated 50% of the cost, and the calculation proceeded in this way through coursework, teaching, clinical care, and "other" until each entrance had a total cost for the visit plus a breakdown of that cost for different purposes.

The cost of the user's visit to the library was then allocated to his or her institution. If the user recorded only one affiliation, that affiliation received 100% of the cost, and approximately 60% of the entrants recorded only one affiliation. However, if the user recorded more than one affiliation, for example a researcher with two faculty appointments, the team employed a series of decision rules that evaluated the nature of each affiliation's relationship with the library, the user's purpose for the visit, the user's position, or some other practical identifier that could reasonably weigh benefits.

RESULTS

Once the team had divided the costs for multiple affiliation entrances, it then produced a schedule of assessments for each affiliated institution. The assessment for each institution was divided into portions for organized research, clinical care, teaching, coursework, and other purposes. This distribution enabled the institutions to pass on the charges to third parties. The team also produced a schedule of unit charges for the services paid for directly by users.

ADVANTAGES OF THIS APPROACH

This approach, while necessitating a careful cost accounting and user survey effort, has several significant advantages over others used to recover service costs from library users.

This approach permits detailed justification of cost recovery because cost calculations and survey

responses directly produce usage charges and institutional assessments. An audit trail becomes available for auditors from the institutions and the federal government who will wish to trace their assessments back to supporting detail. The approach is readily understandable to financial executives who are responsible for making decisions about library financial support.

Moreover, this approach builds a strong foundation for financial planning. Library administrators can use the databases to compare alternative strategies of service pricing, user charges, institutional assessments, and individual membership fees. ■■

Editor's Note: For more information on the consulting firm that advised the Countway Library, contact Rousmaniere Management Associates, Inc., Hearstone Plaza, Suite 206, 111 Washington St., Brookline, MA 02146.

New Accreditation Criteria Proposed

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At its annual meeting on December 13, 1982, Thomas G. Carpenter (Memphis State) and Emmett B. Fields (Vanderbilt) presented a formal draft of new *Criteria for Accreditation (Proposed)* to the College Delegate Assembly of the Commission on Colleges of the Southern Association of Colleges and Schools. The culmination of three years' work by four task forces, the *Criteria for Accreditation* was hailed by Fields as the boldest move of the Commission on Colleges since 1962. Moreover, although individual sections of the 1962 standards have all been revised during the later sixties and seventies (a library section was added to the Graduate Standard in 1969 and the Library Standard was revised in 1975), this is the first complete revision of SACS standards for colleges and universities in twenty years. If approved by the College Delegate Assembly at its December 1983 meeting in New Orleans, the *Criteria for Accreditation* will replace the current standards during the next three years.

Emphasis in the new criteria is placed upon educational outcomes assessment and an ongoing planning process. To quote Carpenter, "The new Criteria for Accreditation presented here represent a retention of the most important elements of the old standards which have served the Commission on Colleges well throughout the past several decades,

and it includes the addition of new elements, particularly a stronger emphasis on planning and educational outcomes assessment, which will help the Commission serve its constituents more effectively in the future." Stated simply the new criteria ask colleges and universities to determine what effect a college and university has on students, i.e., "what difference does a college education make?" The corollary to that approach might be stated as "What effect does a college or university library have on students?" i.e., "What difference does a college library make?"

In the process of overhaul of the current standards, the author and Gerald Sandy, director of the library at Armstrong State College, Savannah, Georgia, served as members of the Study Committee on Services and Support. Included under Educational Support Services are the Library, Student Development Services, Computer Services, and Instructional Support. Although the Library Section is similar to Standard 6 in the current document, the emphasis in the proposed document is upon the library user, in line with the general thrust of the criteria. The Library Section should therefore be studied in conjunction with Section III, Institutional Effectiveness, which discusses "Outcomes Assessment" and "Planning." As readers will note, SACS has under preparation a manual with "guidelines and suggestions for the development and use of outcomes assessment programs and measurement instruments."

Both Sections III and Section 5.2 are given below.