Your library board is legally responsible for establishing the library's budget and for practicing good fiscal management. Often, however, much of this responsibility is delegated to the librarian.

As a new librarian, one of your first jobs should be to find out how much you will be involved with the fiscal management of the library. Here are some questions that you should ask your board:

- What is the library's budget for this year? (Get a copy!)
- Who receives the bills and verifies that the goods or services charged for have been received?
- Who assigns the bills to budget categories?
- Who prepares the monthly financial statement?
- If you are responsible for preparing the financial statement, what format should you use? Are there computer programs or forms that are set up for this purpose?
- Who prepares and signs the checks? (For city libraries, it is often city officials.)
- If the fiscal management is handled primarily by someone other than the staff, how is the staff kept informed of the library's financial status?
- Is there a limit set on the size of expenditures that can be made by the staff without board preapproval?

Knowing answers to these questions will give you a good handle on your library's fiscal situation.

**The Budget Year**

The fiscal year in Idaho runs from October 1 to September 30. District libraries are required to have their budgets to the county commissioners no later than the Thursday prior to the second Monday in September. (63-803) City governments are also required to have their total city budget, including their library's budget, to the county on that day. Taxing districts are required to append a copy of their published budget notification to their budget submissions (L2s).
Library districts are required to have a budget hearing before their budget is submitted to the county. City governments are also required to have a hearing on their budget, which includes the library budget, before giving their budget to the county. Your county clerk(s) must be notified of the date and location of your budget hearing no later than April 30th each year. Failure to comply means no budget increase for that year. Cities have the responsibility for notifying the county clerk, but district libraries must make sure to do this. (63-802A)

Because city library budgets have the extra step of being approved by the city council, city libraries usually must get their budgets completed somewhat earlier than library districts. If you work for a city library, it is a good idea to ask the city clerk when you should have your budget ready. In fact, it is a good idea to cultivate a good relationship with your city clerk. It can save you a lot of headaches.

Given that budgets must be in to the county commissioners early in September, the formal budget process usually takes place in July and August, but you should start thinking about the budget in the spring. Ask the board to begin discussing the budget in March or April, by outlining their service activities for the following year.

Information should be collected throughout the whole year. It is wise to keep a budget file, where you can keep newspaper clippings, notes, and other information about potential changes in costs. In this way, you will have all that information together when you need it.

You will also need to find out how the board does its budget. Does the board ask you to present a draft budget, or does it have a budget committee of its own members? It is vitally important that you as the librarian have input into the budget, as you will know the day-to-day operation of the library better than any other person.

Once you know what the board wants to do in the next year, you can begin to develop cost figures. You will need to gather cost information from a variety of sources, such as the present year’s expenditures, catalogs, information on utility rates and the cost of living rate that appears in newspapers and other sources, and information you gather from service vendors. Remember that in budgeting you are making a series of educated guesses. The more information you have, the better your guesses will be.
**Levy Limits.** Figuring out potential costs is only one part of the budget equation. The other side is income. For most public libraries, the major source of income is property taxes. There are limits on the levy rates for library services. District libraries can have levies to no more than .06 (60 cents per thousand) of market value for assessment purposes on the property within the district. Cities can levy no more than .1 of market value for assessment purposes for library services. Most libraries in Idaho, however, are not close to their levy cap. Still, you should check to make sure that your proposed levy does not exceed your cap.

**Annual Budget Increases.** Budgets of taxing districts are allowed to increase 3% each year, with additional funds for new growth or annexation. Raising the budget request and levy above this limit requires a vote at either the May or November election (63-802).

**Carryover Authority.** Although the fiscal year begins on October 1, the first large tax payment for the year does not come in until January. This means that for the months from October to January, your library has little or no tax income. During this period, you will need to use the previous year's money to "carry you over." This should be remembered in the fiscal management of the library. Generally, you do not want to spend all of your money by the end of the fiscal year. Typically, you should have between one-quarter and one-third of a year's operating budget still on hand at the end of September.

For library districts, the carryover issue is usually not too important, as long as you remember not to spend all of their money during the fiscal year. You are authorized in state code to carry money over (33-2724).

For city libraries, however, it can sometimes be a bit trickier. The city government may want you to spend all your money during the fiscal year, and they will take care of the carryover period from the general fund. If you don't spend all your money in this situation, they may try to take any money that is left over and put it in the general fund. Other cities may want their libraries to be responsible for carrying over money for the period between October and January. It is a good idea to talk to your city clerk about this so that you will know what is expected. It is even better if you can also get the city policy on the carryover period in writing. City clerks sometimes leave, and new ones with different ideas take their place.
Budgeting and Finance: Or, Free Libraries Aren’t Cheap

Carryover funds in district libraries should be distinguished from a "rainy day account." There is no authorization in Idaho code for a “rainy day” or “contingency” account. Aside from the legal aspect, this is not a good idea. Tax dollars should be used for the purposes for which they have been collected. Setting aside money in undesignated accounts for future use does not use tax dollars wisely or legally.

There may, however, be legitimate reasons for holding money from year to year. For example, many kinds of building repairs are very expensive, and trying to pay them out of a single year's budget could mean a severe cut in library service for that year. Money for these repairs, which could include such things as the roof, furnace, carpet or air conditioning replacement, can be saved by library districts in a “Capital Assets Replacement and Repair” fund. See 33-2724 for conditions and reporting requirements.

City librarians should discuss this issue with the city clerk. The city may have established its own depreciation account for its buildings, including the library. They may also have special account numbers that have to be used for these kinds of accounts, which are considered "capital" accounts. Failure to follow the city's accounting procedures may lead to the loss of funds at the end of the fiscal year. So make sure that you are setting up these accounts properly.

Re-opening Your Budget. On rare occasions, a library may need to re-open its budget during the year. This typically happens when the library receives a large amount of unexpected income that must be spent during the year. For example, if the library receives a large grant that must be used within a year, and the total amount of annual expenditures will therefore be greater than the expenditures anticipated in the budget, then the budget must be re-opened.

To re-open the budget, a budget hearing must be advertised and held. At this hearing the whole budget, not just the part that has created the need for the budget hearing can be re-considered.

Usually, it is not a problem for library districts to re-open their budgets. (See 33-2725) You will have to advertise the re-opening hearing as you do a normal budget hearing, so there is some added expenses for a legal advertisement. But normally there is no other problem involved in this procedure.
**Budgeting and Finance: Or, Free Libraries Aren’t Cheap**

Re-opening the budget can be a major problem for city libraries. This is because it will not just be the library’s budget that will be re-opened, but the entire city budget. In re-opening the library’s budget, the city council may have to deal with all kinds of other budget questions on things like streets, police, and garbage collection. Needless to say, this can be a real inconvenience, and they don’t like to do it. If it is possible, unanticipated income should be held until the next budget year. The problem can also be avoided by guessing high on your income and expenditures in the original budget. If this is done, however, it needs to be thoroughly explained in your budget notes and presentation.

**Audits.** Library districts may be required to have an annual or biennial audit, depending on expenditures. Since legislation may change, see 67-450B for requirements.

**Central Registry.** New in January, 2015, there will be added requirements (for library districts) for reporting financial and other information to the Legislative Services Office. There are financial penalties for not complying. See 67-450E for details.