



Public Private Task Force on Sustainable Library Funding

Final Report: Carnegie Library of Pittsburgh

January 20, 2011

TABLE OF CONTENTS

- I. Executive Summary
- II. Background
- III. Task Force Members
- IV. Schedule of Meetings
- V. Scope of Work
- VI. Overview of Task Force Activities
- VII. Recommendations
- VIII. Status of Current Library Operations
- IX. Potential Revenue Opportunities Discussed
- X. Detail of Potential Revenue Opportunities Discussed
- XI. Lower-Yield Revenue Opportunities
- XII. Detail of Lower-Yield Revenue Opportunities
- XIII. Revenue Opportunities Requiring County-Wide Solution

Appendix:

“Sustaining the Carnegie Library of Pittsburgh,” Supplemental Research and Analysis
(September 2, 2010)

EXECUTIVE SUMMARY

Background

In January 2009, the RAND Corporation released a report, “Assessing the Future of Carnegie Library of Pittsburgh: Pathways to Sustainability.” The report found that the Library was faced with operating revenues that have been in a steady downward trend in both nominal and real dollars affecting the Library’s purchasing power and its ability to adapt and respond to community needs. The study supported the creation of a Task Force that would explore opportunities that could address systemic challenges and enable the Library to obtain and sustain resources for the future. Since the release of the RAND report, flat funding from the Allegheny Regional Asset District (RAD), the Library’s primary funding source, and declining revenues from the State coupled with the overall economic decline due to the recession caused the Library to announce in October 2009 the closing, merger, or relocation of several branch libraries. Public opposition to the Library’s proposed plan resulted in one-time, stop-gap funding from the City of Pittsburgh. State elected officials also approved a new, dedicated, recurring revenue source from casino table games. The Library welcomed these additional sources of funding; however, because the City of Pittsburgh funding was a one-year allocation, and table gaming revenue will provide only an incremental increase, neither is sufficient to solve the Library’s projected funding gap, and additional sustainable revenues are necessary. Both the City’s funding and the State’s gaming revenue were offered on the condition that all branch libraries would remain open in 2010 allowing time for a Task Force to be formed to identify a sustainable funding model. Future table gaming revenue will remain available only if all branches remain open indefinitely -- with the only exception being the potential consolidation of the Carrick and Knoxville branches. The Task Force on Sustainable Funding for Carnegie Library of Pittsburgh was established in February 2010 to evaluate the costs, benefits, and long-term financial stability of alternative funding models to ensure the Library’s future sustainability.

Why Long-Term Funding of Libraries is Important

Libraries = Education

Education = Economic Advancement

Economic Advancement = Improved Quality of Life

Libraries are a primary reason for the high quality of life in our region. They are important community assets that are integral to supporting healthy communities with their mission to support literacy and learning. Despite questions about the relevance of the public library today, the increasing number of visits, circulation of materials, and public access to library computers illustrates that the opposite is true. Libraries are community assets that promote self-reliance; places where people of all ages can investigate, explore and make personal decisions; supportive environments with passionate librarians serving as advocates for lifelong learning; and places of refuge for anyone in search of information about health, work, language, culture, religion, or personal fulfillment. The Library is a community treasure supporting equality and democracy. Libraries define education and life-long learning for all.

The goal of the Public Private Task Force to identify a sustainable funding model will preserve the Carnegie Library of Pittsburgh system so that it can continue to effectively fulfill its mission to serve the residents of Pittsburgh and Allegheny County and transform and advance our community culturally, intellectually and economically.

Summary of Task Force Activities

Tasked with exploring various alternative funding models and sources of funding to sustain Carnegie Library of Pittsburgh's system of neighborhood libraries, the Public Private Task Force on Sustainable Library Funding was established in February 2010, comprised of ten members representing a cross section of decision-makers in the community including elected officials from the City, County and State, and representatives from the corporate, foundation, legal and neighborhood communities. From the outset, Chairman Frank Lucchino asked members to think broadly about the long-term, systemic funding challenges of running an effective library system. Provided with detailed information about current revenue streams, the erosion of services over time due to inconsistent funding, and other library usage data and benchmarks, the goal of the group focused on how to secure additional revenues sufficient to operate an "optimal" Library system. Early discussions addressed what an optimal Library system might look like, including hours of operation and models of service delivery. Task Force members discussed how much additional funding would be necessary to solve Carnegie Library of Pittsburgh's structural gap over the long term, especially given discussions with members of the state legislature about the likelihood of further decreases in state funding, as well as benchmarking data showing Carnegie Library of Pittsburgh on the low end of high performing urban libraries across the country. In order to operate at current levels, approximately \$5 million in new annual revenue would be necessary to address the projected structural gap that will exceed \$5 million by 2015. Task Force members aspired to maintain CLP among the ranks of high performing libraries in the nation and suggested that \$7-\$10 million in additional annual operating support would address long-term needs and restore levels of service that have eroded over time in terms of hours of operation, collections, staffing expertise and capital maintenance needs.

Many funding sources were suggested by individuals participating in the Library's Community Engagement Process that occurred between May and September 2010 as well as by the Public Private Task Force. Task Force members researched and discussed close to 20 different opportunities to secure a long-term funding solution including voluntary contributions, increased revenue from existing sources, and the creation of new public revenue streams. (See Potential Revenue Opportunities Discussed). A separate list of several "lower-yield" revenue items also was developed. (See Lower-Yield Revenue Opportunities). While many of these ideas have merit, they would not in isolation nor together generate the level of revenues necessary to solve the Library's funding gap on a sustainable basis. Some of the possible fees for service suggested would require a county-wide solution and the participation of all Allegheny County Library Association (ACLA) libraries.

Each opportunity was assessed for their revenue potential, the amount of time it would take to implement each option, the political implications, and the need for public support. The list of options that was developed was narrowed based on these factors, and it became clear that there would be no easy answer. It was determined that the level of revenue being sought would likely

have to come from a broad based source of public funding because the non-tax sources would not yield sufficient revenue to solve the structural deficit on a sustainable basis.

Supplemental Research

“Sustaining the Carnegie Library of Pittsburgh”

As part of the Task Force’s research, a benchmarking study of high-performing libraries was conducted by UPMC interns provided by Task Force Member Scott Lammie (See: “Sustaining the Carnegie Library of Pittsburgh,” Supplemental Research and Analysis). The study concluded that Pittsburgh’s preeminent position among the most literate cities in America is in jeopardy as funding cuts continue to weaken the Carnegie Library of Pittsburgh system. It found that CLP has one of the smallest operating budgets for an urban library and regional library system of its size and stature. The study states,

Virtually all benchmark metrics confirm that CLP is now chronically underspending in staff resources, collections and other basic infrastructure support. The range of underspending is estimated to be in the 10-15% range for a library of CLP’s size based on various benchmark measures. While other library systems are now facing severe funding cuts, their baseline per capita spending rates remain significantly in excess of CLP’s, particularly among the high-performing library systems.

Community Survey

In an effort to gather some additional perspective from the community, the Task Force commissioned a survey to test the broader public’s perception of the Library and their willingness to fund library services. Anzalone*Liszt Research was engaged to conduct a community survey of Pittsburgh voters from September 8-12, 2010.

Results found that Carnegie Library of Pittsburgh enjoys a very strong public image with a 93% positive performance rating across the community. The community gives the Library highest marks for customer service and collections, community programs, and hours and locations. They view the Library as an anchor for the community that provides children a safe place to learn. They support the Library’s role to provide educational resources for children and job seekers, supporting residents in tough economic times, and saving users millions of dollars each year on collection purchases. Echoing what was heard during the Library’s Community Engagement Process, respondents strongly oppose branch closures as a way to reduce CLP’s budget deficit. Survey respondents indicated their overwhelming support of maintaining public services that benefit the community, even in the current economy, and exhibited a willingness to fund library services. In the future, the community wants CLP to invest in services and programs for children, including afterschool programs, computers and new technology, and book and magazine collections.

Recommendations

Given the magnitude of the Library's structural deficit, the Task Force recommends that a multi-pronged approach be pursued to solve the Library's long-term funding problem. Task Force members demonstrated that an effective funding solution must be viewed as a shared community problem that all sectors in the community should help to solve. Recommendations include a mix of funding opportunities from the creation of a new public revenue stream, increased revenues from existing sources, and increased voluntary contributions:

1. Build a culture of library supporters in the community to improve library advocacy and increase individual giving
2. Secure increases in annual allocations from the Allegheny Regional Asset District (RAD)
3. Provide citizens of Pittsburgh an opportunity to vote on whether dedicated funding support should be provided to Library
4. Launch library endowment campaign
5. Secure increases in corporate contributions
6. Create tax incentive programs at the state and local level for individuals and corporations contributing to the library

1. Build a Culture of Library Supporters in the Community to Improve Library Advocacy and Increase Individual Giving

Task Force members recommend that the Library devote resources to better educate the public with increased media attention, fundraising efforts, volunteerism, Friends groups, and advocacy in order to build a stronger culture of support for it.

CLP's annual fundraising for operations and special programs in 2009 totaled \$1.68 million in both unrestricted and restricted contributions from corporations, foundations, individuals and earned interest income from private trusts. Funds are actively raised from corporations, foundations, and individuals on an ongoing basis.

While CLP has more than tripled the number of its donors from 1,420 to 5,081 between 2002-2009, private support from individuals continues to lag behind typical philanthropic benchmarks. Currently, individuals giving to CLP make up 34% of total annual giving while the national average for individual giving is 75%.

And yet, CLP's private fundraising efforts fare well compared with many similar urban library systems across the country. Recent benchmarking shows a range of library development efforts. Places like Cleveland Public Library have relied solely on public support with very little private fundraising while a large system like Chicago Public Library supported by their Library Foundation raised over \$5 million to help support its system of 75 library locations. Most of the benchmarked libraries of similar size to CLP fell in the \$500,000-\$1.5 million range for annual dollars raised.

The Task Force recognizes the improvements the Library has made in the area of private fundraising, but recommends that additional efforts be made to strengthen the amount of private contributed support raised, particularly from individuals.

The Library's communications objectives need to communicate the vital role that libraries fill for individuals and our community and emphasize the urgent need for public support of the Library. CLP should take a proactive approach towards public relations, media communications and marketing and promotion to create awareness, build advocacy, and increase financial support. The community strongly feels that if people were more aware of the Library's impact in the community they would be more likely to support it. Task Force members agree but also understand that private giving will never replace government support of the Library.

2. Secure Increases in Annual Sales Tax Allocations from the Allegheny Regional Asset District (RAD)

As a contractual asset, Task Force members recommend that the Library seek additional long-term funding through the Allegheny Regional Asset District (RAD), especially in response to the findings from the 2010 special audit commissioned by RAD, which confirmed that the Library's deficit will continue to grow if long-term funding is not secured.

Carnegie Library of Pittsburgh's allocation of sales tax revenues from RAD is the Library's largest single revenue source and now comprises approximately 73% of the Library's total operating revenues. Even as the Allegheny Regional Asset District currently allocates 31% of available sales tax revenues to libraries, (including Carnegie Library of Pittsburgh, the Allegheny County Library Association, and the eiNetwork), which is the largest percentage of RAD dollars distributed to any category of funding, the Task Force urges RAD to consider:

- a) increasing funding to Carnegie Library of Pittsburgh to a level that would bring local funding of the Library up to the national average of 81% from 73%, an increase of approximately \$2 million annually;
- b) providing guaranteed annual increases to Carnegie Library of Pittsburgh, as well as an increase in the minimum level of funding, that are written into the 5-year agreement with RAD when it is renewed in 2014;
- c) redirecting funds to Carnegie Library of Pittsburgh that will be freed up when previous obligations (arena/stadium debt) expire;
- d) allocating capital improvement funds on an annual basis.

3. Provide citizens of Pittsburgh an opportunity to vote on whether dedicated funding support should be provided to Library

The Task Force recommends that the Library engage the community about its willingness to support a new source of dedicated library funding and provide an opportunity for Pittsburgh residents to vote on it. A successful petition campaign would place a

referendum on the ballot and would put the prospect of securing dedicated library funding in the hands of the community. A “yes” vote would secure additional revenue necessary to help sustain library operations.

4. Launch Library Endowment Campaign

The Task Force recommends that the Board of Trustees consider an endowment campaign as a longer-term strategy to improve community support of the Library and diversify its funding. The Library would need to raise approximately \$25 million to generate additional operating revenue of \$1.25 million with a 5% draw. With the success of the *Libraries for LIFE* capital campaign, the Library now has some experience doing a major campaign like this. However, fundraising professionals have articulated that it is much more difficult to raise endowment dollars for operating support than it is to raise money for capital needs, indicating that it may take even longer to raise the necessary endowment dollars. Task Force Members are supportive of this opportunity to secure additional funding understanding that it will take many years to raise this level of funds, and it is not an immediate solution to looming deficits.

5. Secure Increases in Corporate Contributions

The Task Force recommends that all segments of the community step forward to help the Library solve its deficit, including Pittsburgh’s business community. Input from the Library’s Community Engagement Process echoed this sentiment when participants urged the Library to turn to Pittsburgh’s sports teams and other corporate partners to contribute to the Library. Carnegie Library of Pittsburgh does receive significant corporate financial support from several different sources. Currently, corporate contributions are made through the state’s Educational Improvement Tax Credit program (EITC), programmatic support, sponsorships, matching gift programs, and capital support.

Nationally, philanthropic giving from corporations was approximately 4% of total giving in 2009. For CLP, corporate giving for annual operating support in 2009 totaled \$156,824 or 9% of total private contributions. At this level, CLP’s corporate support performs better than the national rate. The Task Force still agrees that CLP can do better in this area understanding that early increases are likely to be nominal given the current economic business climate but should improve as the economy improves.

6. Create Tax Incentive Programs at the State and Local Level for Individuals and Corporations Contributing to the Library

Carnegie Library of Pittsburgh should work with local and state officials to request that special tax credit programs be established specifically for individuals and corporations who contribute to the library. Based on an existing program in Idaho, individuals and corporations who contribute to libraries are eligible for tax saving per the Idaho Code, which allows individuals or corporations to take a tax credit for charitable contributions made to public libraries, library districts, and the Commission for Libraries. An

individual taxpayer's contribution to a public library is allowed as an itemized deduction on the federal return as well as on the Idaho return. In addition, the taxpayer receives an Idaho tax credit for the contribution. The credit is limited to the smallest of one-half of the amount contributed, 20% of the individual's income tax, or \$100 (\$200 on a joint return). This credit also is available to Idaho corporations who make a charitable contribution to a public library, library district, or the Commission for Libraries. For corporations, the credit is limited to the smallest of one half of the amount contributed, 10% of the corporation's income tax, or \$1,000.

Charitable contributions made to Carnegie Library of Pittsburgh are allowed as an itemized deduction on federal returns, but not the state. However, the Commonwealth of Pennsylvania does provide tax credit programs for corporations donating to eligible and approved community organizations like CLP through the Educational Improvement Tax Credit Program (EITC) and the Neighborhood Assistance Program (NAP). CLP should seek to establish distinct tax credit programs specifically for contributors to libraries at both the state and local levels to encourage greater charitable giving to the Library from both individuals and corporations.

Conclusion

The fundamental role for the public library is to be free to the people, providing equal access to information to all people regardless of income, economic status, age or any other factor. The free public library is essential to democracy, equality and justice. Andrew Carnegie's vision of "Free to the People" was one in which the community contributed toward the continuous maintenance of its libraries. Public support of the Library through government contributions are essential to ensure that information resources remain available for future public use. Private support is also critical for the Library's future success which is used to supplement basic library services through special programs, collections, technology initiatives, and capital projects. Across the country, 81% of operational funding to libraries is obtained from local tax receipts while Carnegie Library of Pittsburgh's local funding is approximately 73% of its total revenues. Consecutive years of funding cuts or freezes have taken their toll on the Carnegie Library of Pittsburgh system with reduced hours of service and underspending in staff resources, collections, and other basic infrastructure support. Unless new, sustainable funding is secured, Carnegie Library of Pittsburgh will continue to lose ground each year as program and service levels will need to be further curtailed. These recommendations together are likely to generate the level of support necessary for the Library to sustain itself and even thrive over the long-term. This treasured community asset must be protected to ensure that the Library can effectively continue its mission to support literacy and learning for all. Only through the collective effort of everyone in our community -- individuals, corporations, foundations, and government -- can this be achieved.

BACKGROUND

In January 2009, the RAND Corporation released a report, “Assessing the Future of Carnegie Library of Pittsburgh: Pathways to Sustainability.” The report found that the Library was faced with operating revenues that have been in a steady downward trend in both nominal and real dollars affecting the Library’s purchasing power and its ability to adapt and respond to community needs. The study supported the creation of a Task Force that would explore opportunities that could address systemic challenges and enable the Library to obtain and sustain resources for the future. Since the release of the RAND report, flat funding from the Allegheny Regional Asset District (RAD), the Library’s primary funding source, and declining revenues from the State coupled with the overall economic decline due to the recession caused the Library to announce in October 2009 the closing, merger, or relocation of several branch libraries. Public opposition to the Library’s proposed plan resulted in one-time, stop-gap funding from the City of Pittsburgh. State elected officials also approved a new, dedicated, recurring revenue source from casino table games. The Library welcomed these additional sources of funding; however, because the City of Pittsburgh funding was a one-year allocation, and table gaming revenue will provide only an incremental increase, neither is sufficient to solve the Library’s projected funding gap, and additional sustainable revenues are necessary. Both the City’s funding and the State’s gaming revenue were offered on the condition that all branch libraries would remain open in 2010 allowing time for a Task Force to be formed to identify a sustainable funding model. Future table gaming revenue will remain available only if all branches remain open indefinitely -- with the only exception being the potential consolidation of the Carrick and Knoxville branches. The Task Force on Sustainable Funding for Carnegie Library of Pittsburgh was established in February 2010 to evaluate the costs, benefits, and long-term financial stability of alternative funding models to ensure the Library’s future sustainability.

The creation of the Task Force was publicly announced in February 2010 with the Honorable Frank Lucchino serving as chair. Task Force members convened in April with the intent to have draft recommendations ready to present in Fall 2010. An Interim Report was provided to Carnegie Library of Pittsburgh’s Board of Trustees on October 18, 2010. The Final Report was presented to the Board at its December 13, 2010 meeting.

TASK FORCE MEMBERS

The composition of the Task Force was critical to ensure that its recommendations could be implemented. The Task Force was comprised of ten members representing a cross section of decision-makers in the community including elected officials from the City, County and State, and representatives from the corporate, foundation, legal and neighborhood communities. Carnegie Library of Pittsburgh provided staff support to the Task Force, and outside expertise was frequently called on for data analysis regarding specific revenue options.

Judge Frank J. Lucchino, Chair

James Barnes, Partner, Reed Smith

Senator Jay Costa, Pennsylvania State Senator, 43rd Senatorial District

Darla Cravotta, Special Projects Coordinator for Allegheny County Executive's Office
(County Executive's Appointee)

Councilman Bruce Kraus, City Council District 3

Scott M. Lammie, Senior Vice President and Chief Financial Officer, UPMC Insurance Services

Grant Oliphant, President and CEO, The Pittsburgh Foundation

Sabrina Saunders, Manager of Youth Policy, Office of Mayor Luke Ravenstahl
(Mayor's Appointee)

Lynne Squilla, Community Representative

Representative Chelsa Wagner, Pennsylvania State Representative, 22nd Legislative District

SCHEDULE OF MEETINGS

April 16

Special Guest: David L. Donahoe, Executive Director, Allegheny Regional Asset District

Topic: Overview of the Allegheny Regional Asset District and Funding for Libraries

April 29

Special Guest: Susan Kent, Managing Partner, S. R. Kent, LLC

Topic: Overview of the National Perspective on Library Funding

May 13

Special Guest: Sally Sleeper, Director of Research, RAND Gulf States Policy Institute

Topic: Review of RAND Study, “Assessing the Future of Carnegie Library of Pittsburgh: Pathways to Sustainability”

June 4

Topic: Discussion of Potential Funding Opportunities

June 17

Topic: Discussion of Potential Funding Opportunities

July 1

Topic: Discussion of Potential Funding Opportunities and Grassroots Campaign to Support Libraries

July 22

Special Guests: Bill Burges, Vanessa Tey Iosue, Galen Schuerlein, Burges & Burges Strategists

Topic: Overview of Referendum Process in Ohio

September 2

Special Guests: Carolyn Gormley and Todd Green, UPMC Interns

Topic: Overview of Benchmarking Report of High Performing Libraries

September 30

Special Guests: John Anzalone, President, and Mark Keida, Anzalone · Liszt Research

Topic: Overview of Polling Results

December 2

Topic: Finalize Task Force Recommendations

December 6 – January 18

Meetings with Mayor, County Executive, Presidents of City and County Councils

December 13

Presentation of Final Report to Board of Trustees

SCOPE OF WORK

The Task Force on Sustainable Library Funding was asked to explore various alternative funding models and sources of funding to sustain Carnegie Library of Pittsburgh's system of neighborhood libraries. No limitations were placed on the funding opportunities to be explored, which included all possible public sources as well as additional private support from corporations, businesses, foundations, families and individuals and any other source the Task Force identified. Members were tasked with making recommendations for a sustainable model of operational funding for the future with the goal to obtain a diversified funding base that will secure an adequate amount of additional recurring operating support and that will provide some level of stability and opportunity for growth each year. Task Force members were not asked to review Carnegie Library of Pittsburgh's current operations, services or programs, identify system modifications or evaluate expenditures. Members focused on the revenue side of the equation to continue and possibly enhance current operations, services and programs.

OVERVIEW OF TASK FORCE ACTIVITIES

Tasked with exploring various alternative funding models and sources of funding to sustain Carnegie Library of Pittsburgh's system of neighborhood libraries, the Public Private Task Force on Sustainable Library Funding was established in February 2010, comprised of ten members representing a cross section of decision-makers in the community including elected officials from the City, County and State, and representatives from the corporate, foundation, legal and neighborhood communities. From the outset, Chairman Frank Lucchino asked members to think broadly about the long-term, systemic funding challenges of running an effective library system. Provided with detailed information about current revenue streams, the erosion of services over time due to inconsistent funding, and other library usage data and benchmarks, the goal of the group focused on how to secure additional revenues sufficient to operate an "optimal" Library system. Early discussions addressed what an optimal Library system might look like, including hours of operation and models of service delivery. Task Force members discussed how much additional funding would be necessary to solve Carnegie Library of Pittsburgh's structural gap over the long term, especially given discussions with members of the state legislature about the likelihood of further decreases in state funding, as well as benchmarking data showing Carnegie Library of Pittsburgh on the low end of high performing urban libraries across the country. In order to operate at current levels, approximately \$5 million in new annual revenue would be necessary to address the projected structural gap that will exceed \$5 million by 2015. Task Force members aspired to maintain CLP among the ranks of high performing libraries in the nation and suggested that \$7-\$10 million in additional annual operating support would address long-term needs and restore levels of service that have eroded over time in terms of hours of operation, collections, staffing expertise and capital maintenance needs.

Many funding sources were suggested by individuals participating in the Library's Community Engagement Process that occurred between May and September 2010 as well as by the Public Private Task Force. Task Force members researched and discussed close to 20 different ideas to secure a long-term funding solution including voluntary contributions, increased revenue from existing sources, and the creation of new public revenue streams. (See Potential Revenue Opportunities Discussed). Each has been assessed for their revenue potential, the amount of time it would take to implement each option, the political implications, and the need for public support. The list of options that was developed was narrowed based on these factors, and it became clear that there would be no easy answer. It was determined that the level of revenue being sought would likely have to come from a broad based source of public funding because the non-tax sources would not yield sufficient revenue to solve the structural deficit on a sustainable basis.

The prospect of increasing any tax is controversial. Any changes to existing taxes would require legislation on either the local or state level, which would require significant time to gather support and implement. Consequently, it is unlikely that a sustainable solution could be put in place prior to January 2012. The idea of a Dedicated Library Tax in the City of Pittsburgh coming through an increase to the City's real estate tax or earned income tax garnered the most discussion among all of the options as a potential solution. A Dedicated Library Tax would require an amendment to the City's Home Rule Charter, which can occur through a referendum.

A referendum can be placed on the ballot by an ordinance of City Council or through a petition signed by a specific number of City of Pittsburgh voters. A referendum can also be placed on the ballot under the authority of the State Library Code.

A separate list of several “lower-yield” revenue items also was developed. (See Lower-Yield Revenue Opportunities). Many of these suggestions resulted from discussions held during the Community Conversation meetings that occurred in May, July, and September. While many of these ideas have merit, they would not in isolation nor together generate the level of revenues necessary to solve the Library’s funding gap on a sustainable basis. Some of the possible fees for service suggested would require a county-wide solution and the participation of all ACLA libraries.

The Task Force has been well-informed of the feedback and things learned during the Community Engagement Process, which has helped form their recommendations. They also benefitted from a benchmarking study of high-performing libraries conducted by the UPMC interns provided by Task Force member, Scott Lammie. (See “Sustaining the Carnegie Library of Pittsburgh,” Supplemental Research and Analysis). Even with this additional information, prior to finalizing any particular recommendations, the Task Force felt they needed some additional perspective from the community -- particularly given the narrowing list of options and the prospect of proposing increased public funding as a potential solution to the Library’s funding gap. The Task Force requested that a survey be conducted to test the broader public’s perception of the Library and their willingness to fund library services. Anzalone*Liszt Research conducted a community survey of Pittsburgh voters from September 8-12, 2010.

Given the magnitude of the Library’s structural deficit, the Task Force recommends that a multi-pronged approach be pursued to solve the Library’s funding problem. Task Force members demonstrated that an effective funding solution must be viewed as a shared community problem that all sectors in the community should help to solve. Recommendations include a mix of funding opportunities from the creation of a new public revenue stream, increased revenues from existing sources, and increased voluntary contributions:

1. Build a culture of library supporters in the community to improve library advocacy and increase individual giving
2. Secure increases in annual allocations from the Allegheny Regional Asset District (RAD)
3. Provide citizens of Pittsburgh an opportunity to vote on whether dedicated funding support should be provided to Library
4. Launch library endowment campaign
5. Secure increases in corporate contributions
6. Create tax incentive programs at the state and local level for individuals and corporations contributing to the library

RECOMMENDATIONS

1. Build a Culture of Library Supporters in the Community to Improve Library Advocacy and Increase Individual Giving

Task Force members recommend that the Library devote resources to better educate the public with increased media attention, fundraising efforts, volunteerism, Friends groups, and advocacy in order to build a stronger culture of support for it. Citizens attending the Library's Community Engagement Process also stressed the Library's need to do more with fundraising and marketing.

CLP's annual fundraising for operations and special programs in 2009 totaled \$1.68 million in both unrestricted and restricted contributions from corporations, foundations, individuals and earned interest income from private trusts. Funds are actively raised from corporations, foundations, and individuals on an ongoing basis.

While CLP has more than tripled the number of its donors from 1,420 to 5,081 between 2002-2009, private support from individuals continues to lag behind typical philanthropic benchmarks. Currently, individuals giving to CLP make up 34% of total annual giving while the national average for individual giving is 75%.

And yet, CLP's private fundraising efforts fare well compared with many similar urban library systems across the country. Recent benchmarking shows a range of library development efforts. Places like Cleveland Public Library have relied solely on public support with very little private fundraising while a large system like Chicago Public Library supported by their Library Foundation raised over \$5 million to help support its system of 75 library locations. Most of the benchmarked libraries of similar size to CLP fell in the \$500,000-\$1.5 million range for annual dollars raised.

The Task Force recognizes the improvements the Library has made in the area of private fundraising, but recommends that additional efforts be made to strengthen the amount of private contributed support raised, particularly from individuals.

The Library's communications objectives need to communicate the vital role that libraries fill for individuals and our community and emphasize the urgent need for public support of the Library. CLP should take a proactive approach towards public relations, media communications and marketing and promotion to create awareness, build advocacy, and increase financial support. The community strongly feels that if people were more aware of the Library's impact in the community they would be more likely to support it. Task Force members agree but also understand that private giving will never replace government support of the Library.

Background Information

Private fundraising for library operations and special programs has been a strategic priority for Carnegie Library of Pittsburgh over the last decade. The Library has a goal to

increase annual giving to reach 10% of its total annual operating revenues. The national average for non-tax sources of funding to libraries is 8.5%. Carnegie Library of Pittsburgh revenue from non-tax sources is currently at 7.5%.

Individuals

Carnegie Library of Pittsburgh has developed an annual giving program that includes three direct mail appeals, multiple e-solicitations, and passive solicitations through newsletters issued three times per year as well as through the Library's annual report. Other giving opportunities are marketed including "name-in-a-book" tribute/honor gifts, Donor Plus Card Program, a monthly sustainer program, major gifts, and legacy giving opportunities. Carnegie Library of Pittsburgh also participates as a donor agency with the United Way and the Three Rivers Combined Federal Campaign.

Donations can be made in person at any CLP location, by mail, via telephone, or online through CLP's Web site. Efforts have been made to improve the ease by which individuals can make donations; however, more work can be done to simplify the donor's giving experience.

Donor Plus Card

In 2004, CLP's Donor Plus Card Program was launched to increase the Library's donor base and unrestricted donations by creating an entry-level, customer-oriented development program. The program was designed to generate customer awareness of CLP's need for both public and private financial support. The program involved development, marketing, operations and accounting in a partnership to promote a membership library card with a donation associated with it. Since inception, customer acceptance has been steadily growing with little resistance to the concept of a donation-based library card. In 2009, the Donor Plus Card Program generated \$56,000.

The Development Office has implemented various strategies to diversify and increase the Library's fundraising base. The Library has significantly increased the number of ways individuals can give to CLP (i.e. placing donation jars in all locations, adding "thank you" response envelopes to mailings, launching a monthly sustainer program, adding a payroll deduction option for employee giving); adding a major fundraising campaign to coincide with National Library Card Month in September; re-launching the Donor Plus library card program; significantly expanding its electronic communications efforts to increase online gifts; and increasing the number of grant applications submitted to family foundations, foundations and corporations. The Task Force does recommend that CLP look at its Planned Giving program for supporters to leave a legacy gift to the Library through bequests.

The Library has improved communications about the many ways people can help support the Library. The Library's advocacy campaign, "Pittsburgh Protect Your Library: Write. Give. Talk," is a multimedia campaign that seeks to inform, motivate and activate supporters. The Library also has published and distributed the publication, *Novel Ways*

of Supporting the Library, which details in 10 “chapters” the many ways individuals and organizations can support the Library through giving, volunteerism and advocacy.

2. Secure Increases in Annual Sales Tax Allocations from the Allegheny Regional Asset District (RAD)

As a contractual asset, Task Force members recommend that the Library seek additional long-term funding through the Allegheny Regional Asset District (RAD), especially in response to the findings from the 2010 special audit commissioned by RAD, which confirmed that the Library’s deficit will continue to grow if long-term funding is not secured.

Carnegie Library of Pittsburgh’s allocation of sales tax revenues from RAD is the Library’s largest single revenue source and now comprises approximately 73% of the Library’s total operating revenues. Even as the Allegheny Regional Asset District currently allocates 31% of available sales tax revenues to libraries, (including Carnegie Library of Pittsburgh, the Allegheny County Library Association, and the eiNetwork), which is the largest percentage of RAD dollars distributed to any category of funding, the Task Force urges RAD to consider:

- a) increasing funding to Carnegie Library of Pittsburgh to a level that would bring local funding of the Library up to the national average of 81% from 73%, an increase of approximately \$2 million annually;
- b) providing guaranteed annual increases to Carnegie Library of Pittsburgh, as well as an increase in the minimum level of funding, that are written into the 5-year agreement with RAD when it is renewed in 2014;
- c) redirecting funds to Carnegie Library of Pittsburgh that will be freed up when previous obligations (arena/stadium debt) expire;
- d) allocating capital improvement funds on an annual basis.

Background Information

The Allegheny Regional Asset District (RAD) was established and signed into law by Governor Casey on December 1, 1993. The purpose of the legislation was to provide assistance with ballooning real estate taxes and personal property tax and to provide a funding source for organizations like libraries, the zoo, the aviary, and museums, among others.

Carnegie Library of Pittsburgh is designated as a contractual asset of the Allegheny Regional Asset District, and as such, receives annual funding from ½ of the extra 1% in sales tax dollars that consumers pay in Allegheny County. A five-year contract that runs through 2014 governs the relationship between RAD and the Library.

The Allegheny Regional Asset District is responsible for distributing 50% of the total sales tax proceeds to the County’s eligible cultural and recreational assets, including libraries. The remaining 50% is used for tax reform assistance with 25% going to

municipal governments and 25% going to Allegheny County. The Allegheny Regional Asset District is governed by a board comprised of four members appointed by the County Chief Executive, two appointed by the Mayor of Pittsburgh, and one elected by the six appointees. This Board is ultimately responsible for making decisions about annual funding allocations to the assets.

In 2009, RAD sales tax dollars totaled \$78.8 million. Since its creation, RAD revenue has increased annually until 2008 when the current recession started. Total revenues continued to decline until 2010, which showed small and unexpected growth in the second half of the year. Reflecting this trend, RAD funding to Carnegie Library of Pittsburgh increased steadily until 2008 but has been at the same level since. A 3% increase has been approved for 2011. The Allegheny Regional Asset District currently allocates 31% of available sales tax revenues to libraries, including Carnegie Library of Pittsburgh, the Allegheny County Library Association, and the eiNetwork, which is the technology arm that serves all libraries in the County. Library funding in total receives the largest percentage of RAD dollars with Parks and Conservation allocations right behind at 28%. Even as the number of assets funded through the Allegheny Regional Asset District has grown since its inception, the percentage of the budget dedicated to library funding overall has stayed about the same.

CLP's current contract with RAD does not provide for any annual increases in funding, but that does not preclude the RAD Board from allocating additional funds when they adopt the budget each year. It would be desirable to have RAD provide guaranteed annual increases to Carnegie Library of Pittsburgh that are written into their contract when it is renewed in 2014.

The Library now receives \$17.6 million from RAD, which includes \$1 million for debt service. If the Library could secure \$2.1 million in additional sales tax revenue, it would reach the national average of 81.4% of operating support contributed by local funding. With significant declines in revenues since 2008, RAD has had to dip into their reserves in the past several years to fund their commitments. Sales tax revenues had been expected to remain flat through 2012, so it was unclear whether RAD would have the ability or the willingness to increase its allocation to CLP substantially. CLP requested an increase of \$1.7 million in its 2011 budget submission to RAD to cover the Library's projected deficit for 2011 for a total of \$19.3 million. A 3% increase was approved for 2011 for a total of \$18.1 million, a \$528,000 increase.

Members discussed whether it would be possible to increase the percentage of sales tax that RAD receives overall, thereby increasing the total pot of dollars available to distribute. State action would be required to amend the legislation in order to alter the percentages now going to municipalities and Allegheny County for tax reform and increase the amount going to RAD. In 2010, Governor Rendell had proposed the possibility of lowering the sales tax rate but expanding the number of goods and services affected by the sales tax. His analysis projected an increase in overall sales tax proceeds, but the proposal did not gain support. Task Force members expressed some concern about reopening this legislation because there still exists strong opposition to the extra

1% sales tax that might be used as an opportunity to eliminate it altogether. Alternatively, many other groups and organizations that are currently not eligible for RAD funding might use the opportunity to get added into the legislation in order to tap into sales tax funding, which would make funding even more competitive.

3. Provide citizens of Pittsburgh an opportunity to vote on whether dedicated funding support should be provided to Library

The Task Force recommends that the Library engage the community about its willingness to support a new source of dedicated library funding and provide an opportunity for Pittsburgh residents to vote on it. A successful petition campaign would place a referendum on the ballot and would put the prospect of securing dedicated library funding in the hands of the community. A “yes” vote would secure additional revenue necessary to help sustain library operations.

Background Information

Act 511, the Local Tax Enabling Act, and Act 62, the Home Rule Act, give the City of Pittsburgh the authority to raise existing taxes on its own. The authority vested in these laws would allow the City to direct a portion of revenues to Carnegie Library of Pittsburgh. Dedicated library funding could be tied to an increase in the City’s real estate tax or the earned income tax. An increase of 1/4 of one mill would generate approximately \$3.25 million. To generate a similar amount from the earned income tax would require an increase from 1.0% to 1.05%.

Through Act 511 or the Home Rule Charter, City Council could introduce and pass an ordinance authorizing an increase to either the real estate tax or the earned income tax with the requirement that a public hearing must be held. Alternatively, a referendum to amend the Home Rule Charter and increase taxes for the benefit of the Library could be placed on the ballot during any primary, special or general election. The result of such a referendum would be binding, not just advisory. A referendum can be placed on the ballot in two ways:

- A petition signed by at least 10% of the number of electors voting for the office of Governor in the last gubernatorial general election in the city with the number of required signatures being based on the number of city voters who participate in the upcoming November 2010 election. Petitions need to be submitted no later than 13th Tuesday before election but cannot be submitted earlier than the 20th Tuesday before the election.

or

- An ordinance of City Council proposing the amendment.

A referendum can also be placed on the ballot under the authority of the State Library Code.

The Task Force reviewed the option of increasing the real estate tax versus the earned income tax as the source of dedicated library funding. Members suggested that the City's earned income tax rate of 3%, which includes both the City and the School District, is already among the highest in Allegheny County. Members agreed that it would be overly burdensome to increase the earned income tax further, and the real estate tax would be preferable of the two choices.

Discussions about any tax increase are difficult; however, Task Force members maintain that a petition drive to place a referendum on the ballot to secure library funding offered the best prospect for sustainable funding within a reasonable amount of time.

4. Launch Library Endowment Campaign

The Task Force recommends that the Board of Trustees consider an endowment campaign as a longer-term strategy to improve community support of the Library and diversify its funding. The Library would need to raise approximately \$25 million to generate additional operating revenue of \$1.25 million with a 5% draw. With the success of the *Libraries for LIFE* capital campaign, the Library now has some experience doing a major campaign like this. However, fundraising professionals have articulated that it is much more difficult to raise endowment dollars for operating support than it is to raise money for capital needs, indicating that it may take even longer to raise the necessary endowment dollars. Task Force Members are supportive of this opportunity to secure additional funding understanding that it will take many years to raise this level of funds, and it is not an immediate solution to looming deficits.

Background Information

Many community members have been surprised to learn that Andrew Carnegie did not endow Carnegie Library of Pittsburgh. They have suggested that the Library launch an endowment campaign to secure additional operating support. Carnegie Library of Pittsburgh does have a relatively small endowment valued between \$8 and \$10 million. Interest earnings from the endowment currently yield between \$180,000 – \$350,000 depending on the draw, which cannot exceed 5%. Placing this opportunity in some context, it took the Library nine years to raise \$25 million from individuals, corporations, and foundations for CLP's first-ever capital campaign, *Libraries for LIFE*.

5. Secure Increases in Corporate Contributions

The Task Force recommends that all segments of the community step forward to help the Library solve its deficit, including Pittsburgh's business community. Input from the Library's Community Engagement Process echoed this sentiment when participants urged the Library to turn to Pittsburgh's sports teams and other corporate partners to contribute to the Library. Carnegie Library of Pittsburgh does receive significant

corporate financial support from several different sources. Currently, corporate contributions are made through the state's Educational Improvement Tax Credit program (EITC), programmatic support, sponsorships, matching gift programs, and capital support.

Nationally, philanthropic giving from corporations was approximately 4% of total giving in 2009. For CLP, corporate giving for annual operating support in 2009 totaled \$156,824 or 9% of total private contributions. At this level, CLP's corporate support performs better than the national rate. The Task Force still agrees that CLP can do better in this area understanding that early increases are likely to be nominal given the current economic business climate but should improve as the economy improves.

Background Information

Educational Improvement Tax Credit Program (EITC)

Carnegie Library of Pittsburgh (CLP) is recognized as an Educational Improvement Organization through the Commonwealth of Pennsylvania's Educational Improvement Tax Credit (EITC) Program. Carnegie Library of Pittsburgh hosts a variety of youth literacy programs throughout the region, many of which are approved to receive EITC tax-credit contributions. The EITC Program was created to give businesses and corporations an incentive to support organizations like Carnegie Library of Pittsburgh. Companies can earn up to a maximum of \$300,000 a year in tax credits. In FY 2009, the State significantly reduced the amount of tax credits available to eligible businesses. This reduction severely curbed corporate contributions to CLP through the EITC program. Prior to these cuts, CLP received over \$100,000 in corporate contributions. In 2009, the Library received just over \$20,000.

Matching Gifts

Many employers sponsor matching gift programs and will match charitable contributions made by their employees. Companies may also match gifts from employees' spouses or retirees as well. Matching gift contributions from corporations totaled \$8,800 in 2009. CLP should try to target more local matching gift companies for expanded partnership programs.

Sponsorships

CLP approaches area companies for a variety of sponsorship opportunities including the Summer Reading Extravaganza, library renovation grand reopening events, and other special library programs like the Teen Underground Café or Authors Meet Their Audience. Sponsorships are program specific and provide additional opportunities for reaching out to specific audiences. They would not solve the Library's structural deficit.

6. Create Tax Incentive Programs at the State and Local Level for Individuals and Corporations Contributing to the Library

Carnegie Library of Pittsburgh should work with local and state officials to request that special tax credit programs be established specifically for individuals and corporations

who contribute to the library. Based on an existing program in Idaho, individuals and corporations who contribute to libraries are eligible for tax saving per the Idaho Code, which allows individuals or corporations to take a tax credit for charitable contributions made to public libraries, library districts, and the Commission for Libraries. An individual taxpayer's contribution to a public library is allowed as an itemized deduction on the federal return as well as on the Idaho return. In addition, the taxpayer receives an Idaho tax credit for the contribution. The credit is limited to the smallest of one-half of the amount contributed, 20% of the individual's income tax, or \$100 (\$200 on a joint return). This credit also is available to Idaho corporations who make a charitable contribution to a public library, library district, or the Commission for Libraries. For corporations, the credit is limited to the smallest of one half of the amount contributed, 10% of the corporation's income tax, or \$1,000.

Charitable contributions made to Carnegie Library of Pittsburgh are allowed as an itemized deduction on federal returns, but not the state. However, the Commonwealth of Pennsylvania does provide tax credit programs for corporations donating to eligible and approved community organizations like CLP through the Educational Improvement Tax Credit Program (EITC) and the Neighborhood Assistance Program (NAP). CLP should seek to establish distinct tax credit programs specifically for contributors to libraries at both the state and local levels to encourage greater charitable giving to the Library from both individuals and corporations.

STATUS OF CURRENT LIBRARY OPERATIONS

About Carnegie Library of Pittsburgh Services and Impact in the Community

For 115 years, Carnegie Library of Pittsburgh has fulfilled Andrew Carnegie's vision of advancing knowledge and understanding. As a public trust created in 1895 "for the people," Carnegie Library of Pittsburgh provides open and free access to information that inspires people of all ages to engage in lifelong learning. Despite its age – or perhaps because of it – Carnegie Library of Pittsburgh continues to be a pioneering leader in modern library service. With its mission to engage the community in literacy and learning, the Library has become a place where people find books, access the Internet, seek jobs, participate in community activities, and use the latest technology. Library service extends well beyond the walls of the physical buildings with librarians taking the Library out to the community. They bring schools and libraries together with hands-on, literacy-based activities. They take books to day care centers and pre-schools and discuss literature with children and teens. And they provide expert instruction in literacy and childhood development for parents and educators. A robust Web site provides access to research materials, librarian expertise, homework help and books and other materials.

Carnegie Library of Pittsburgh serves not just the City of Pittsburgh, but all of Allegheny County with its system of 19 neighborhood locations, including the Main Library, Downtown & Business Library, and the Library for the Blind and Physically Handicapped. More than two million people visit Carnegie Library of Pittsburgh each year making CLP the region's most visited asset with over 3.5 million items circulating. Each year the Library provides over 6,000 free programs, classes, and other learning and training opportunities that are tailored to meet the dynamic and diverse information needs of people living in Western Pennsylvania. In addition to the number of people who walked into a library to check out material, browse, or attend a program, more than 4.5 million customers visit the Library's Web site from homes or offices, and 78,000 hours were logged in on computers throughout the CLP system.

One in five county residents and more than half of all city residents have a Carnegie Library of Pittsburgh card. Beyond lending materials throughout the County, CLP serves as the District Library Center for Allegheny County including inter-library loan, larger resource collections, and shipping and delivery as well as library development support through professional collections, continuing education training and consulting services for other libraries in the County. CLP also serves as one of the four statewide library resource centers in the Commonwealth maintaining major research collections that are accessible to everyone in the State.

According to the Community Impact and Benefits Report conducted by Carnegie Mellon University's Center for Economic Development, Carnegie Library of Pittsburgh provides more than \$132 million in economic benefits to the community. For every dollar of local tax money received, Carnegie Library returns \$6 back. The Library provides more than \$75 in benefits for every resident of Allegheny County.

Recent Funding Challenges

Carnegie Library of Pittsburgh was financially supported by the City of Pittsburgh and Allegheny County until the Allegheny Regional Asset District (RAD) was formed in 1994. Libraries have fared much better under the RAD funding model than they otherwise would have if funding continued to come directly from annual City and County appropriations. While funding has undoubtedly improved, the local share of funding from the Allegheny Regional Asset District and the City of Pittsburgh makes up approximately 73% of CLP's total budget, which trails the average local funding received by libraries nationally, at 81%. Many other libraries in Allegheny County continued to receive both RAD funding and a contribution from their municipalities after RAD was created, understanding that ongoing local support for the libraries would continue to be critical.

Funding and budgetary issues were at the forefront of the Library's challenges in 2009. Locally, sales tax dollars were underperforming causing the Regional Asset District to withhold 10% of all asset allocations until September when there was greater confidence that tax shortfalls would not significantly impact budgeted revenues nor place an undue burden on RAD reserve funds. At the state level, budget deficits resulted in various proposals to cut library funding ranging from 1.5% to as much as 50% in reductions. When the state budget was finally passed in October 2009, the impact to CLP was a \$955,000 reduction in state funding. Given the uncertainty of local and state support in early 2009, a \$600,000 mid-year budget correction was formulated and implemented in July 2009. This mid-year reduction was in addition to a 10% reduction that was made for the approved 2009 budget.

In June 2009, the community was briefed about the Library's financial outlook. At that time, the Library projected a \$6 million shortfall by 2014 if no changes were made to the current system in terms of projected funding and operating expense. The projected \$6 million deficit represented 26% of the Library's 2009 \$23 million operating budget. Despite ongoing efficiency measures, including reducing the 2009 budget by 10%, the Library determined that it could no longer sustain current operations with the revenue it received. The public was invited to attend any of three "town hall" meetings titled "*Libraries for Life: Sustaining Our Future*," which took place in July throughout the City. The Town Hall meetings included a brief presentation about the Library's financial outlook and provided an opportunity for individuals to voice their opinions on how the Library could maintain its high standards while reducing costs. Key messages heard from the public included:

-Local library branches are seen as the "hubs" of Pittsburgh communities. Libraries are safe places that serve as a critical resource to children, seniors, families, students and job seekers – not only because of the access they provide to books, but more and more importantly because of the public and free access they provide to the internet. This equal access to all is seen as essential to a democratic society. The Library also provides a critical connection to education, not only through the access to information they provide, but also as a place to do homework and take part in creative learning activities.

-There is overwhelming support for maintaining the branches because of their value to community. If changes must be made, reduced operating hours, reduced programs, increased volunteer services, or pay-for-service models would be preferable to closing branches. Raising funds from private sources was also suggested.

-Many are unaware of the library's financial situation, and found the meeting helpful in improving their understanding.

Because of concerns about the impact of decreases in funding as well as the lack of future assured sustainable funding sources, in October 2009, CLP's Board of Trustees voted to approve an Action Plan that included a 28% reduction in service hours across the Library system; the closure of four neighborhood library locations – CLP-Beechview, CLP-West End, CLP-Hazelwood and CLP-Lawrenceville; the merger of CLP-Carrick and CLP-Knoxville into a single new library location; the relocation of CLP-Mt. Washington to the neighborhood's Virginia Avenue business district; and closing the Library's Allegheny Depository. The plan also included a reduction of staff by approximately 30 positions and an increase of certain fines and fees.

In response to the Library's proposed action plan, the Mayor of the City of Pittsburgh called for an audit of Carnegie Library of Pittsburgh. The City requested that the Regional Asset District serve as the agency responsible for conducting the audit. RAD's audit committee approved that an audit be conducted and issued an RFP. Parente Beard, LLP conducted the audit, which was released in March 2010. The audit validated that Carnegie Library of Pittsburgh took a reasonable approach to identify possible solutions to its funding crisis in 2009 and confirmed that the Library system is facing a very real funding challenge – for both operational and capital dollars.

The public outcry against the proposed branch closures led to the Board's deferral of the proposed Action Plan related to branch closures when local and state elected officials agreed to secure short-term funding for the Library for 2010 in order to keep all branches open. City Council committed \$1.24 million in stop-gap funding for 2010, and the Allegheny County State Delegation secured a new dedicated source of revenue from the local 1% share of table gaming revenues for the Library.

In December 2009, CLP's Board of Trustees approved a revised plan for the 2010 budget, suspending proposed branch closures for one year with the intent to set up a public/private working group to study library funding and actively explore how to achieve long-term sustainable funding for the future. The Public-Private Task Force on Sustainable Library Funding was announced on February 23, 2010 with Judge Frank Lucchino serving as Chair and nine community members named.

CLP also committed to initiating a community engagement process in 2010 to engage the public, staff, trustees, and other key library stakeholders in an open and transparent discussion about the Library's future. Community Conversations were held with the community in May, July and September of 2010 to discuss the long-term financial and operational health of the Library. More than 1,400 people participated in interactive discussions, ideas, and evaluations – both in person and online – in twelve community workshops throughout the city. Feedback from these

meetings revealed that people view the Library as essential to providing educational opportunities for children and others in our community and want to ensure that the Library will be able to continue to provide education and access to information to the people who need it most. Participants in the process now have a better understanding of the budgetary challenges facing the Library, and the Library has good qualitative information from the public to inform strategies for the future. The community engagement process also inspired communities to support their branches through advocacy and fundraising. Ongoing community support will be vital as the Library moves forward with recommendations that will keep it strong well into the future.

Yet funding challenges remain at the state level and locally. The 2010-2011 State budget included additional reductions in library funding totaling 11%. Coupled with the 30% reduction incurred in the 2009-2010 fiscal year, CLP has lost \$1.3 million in state funding since 2009. Additional state budget cuts are anticipated for the 2011-2012 budget as well. Locally, CLP requested an increase of \$1.7 million in its 2011 budget submission to RAD to cover the Library's projected deficit for 2011 for a total of \$19.3 million. A 3% increase was approved for 2011 for a total of \$18.1 million, a \$528,000 increase. RAD's commitment to libraries in Allegheny County, including CLP, ACLA, and eiNetwork, is 32% of their total \$81.1 million budget in 2011.

Because of budgetary pressures facing the Library over the last several years, many steps have been taken to reduce spending, which have significantly impacted public library service in our community. Since 2003, total hours of service have been reduced by 200 hours per week across the system, and staffing levels have been reduced by 200 full- and part-time positions. Real spending on collections purchases has declined. There have been hiring and salary freezes as well as temporary cuts to retirement benefits and a voluntary retirement program option offered. Fines and fees were increased, and fines were reinstated for children's materials. The Library has trimmed its expenses dramatically in order to operate within the declining revenues it receives.

POTENTIAL REVENUE OPPORTUNITIES DISCUSSED

A. New Revenue Items Expected

1. Table Gaming Revenue

B. Other Opportunities Discussed

1. Marcellus Shale Severance Tax
2. Alternative Source(s) to State Funding for Libraries Outside of State General Fund
3. State Reimbursement for School Library Services
4. Drink Tax Increase
5. Special Purpose Library Tax (County)
6. Dedicated Library Tax (City)
7. Pittsburgh Public School as Conduit for Tax Funding
8. Amusement Tax Increase
9. Local Services Tax Increase
10. Deed Transfer Tax Increase
11. Library Donation Tax Form Check Off
12. Tax Credit Program for Donors to Libraries (Idaho Model)
13. Library Fee on Utility Bill
14. City and County Annual Appropriation
15. Library Endowment Campaign
16. Other Private Fundraising
17. Future Sales Tax Allocation Increase (RAD)
18. Specialized Area Tax Opportunities
19. Capital: Developer Fees/TIFS for Libraries

DETAIL OF POTENTIAL REVENUE OPPORTUNITIES DISCUSSED

A. New Revenue Items Expected

1. Table Gaming Revenue

The PA General Assembly passed Act 1 of 2010 to provide already licensed casinos the opportunity to expand their operations with table games with the payment of an additional license fee. Revenue will be generated for the state as well as a local share for both the county and municipality where a casino is located. Act 1 stipulates that the 1% local share for the City of Pittsburgh goes directly to the Carnegie Library of Pittsburgh (CLP) provided the Library retains the same number of branches in place on June 30, 2011. (The only exception is the potential consolidation of the Carrick and Knoxville branch libraries.) If it does not, the revenues revert to the City of Pittsburgh to be used for their pension obligation. The Rivers Casino in Pittsburgh expanded into table games in July 2010. The Rivers Casino originally projected the City's local share to be approximately \$500,000. With four months worth of data, the average monthly local share is \$40,836. Annualized revenue to Carnegie Library of Pittsburgh based on this four-month average would total almost \$490,000, very close to the casino's original projection.

B. Other Opportunities Discussed

1. Marcellus Shale Severance Tax

Governor Rendell has proposed a severance tax for energy companies that drill for gas in the Marcellus shale. Most other states where such drilling occurs already impose such a levy. The PA General Assembly is expected to take action on the proposed Marcellus Shale Severance Tax in September 2010. Task Force Members considered the feasibility of dedicating a portion of these tax proceeds to libraries in Pennsylvania. While it is still unclear what the legislation will look like, if it passes, it appears that the bulk of the funds already are earmarked. It is likely that much of the revenues received will provide funding to the Department of Community and Natural Resources and the Department of Environmental Protection. It is anticipated that a portion of the revenues will be distributed to local governments at the county and municipal level, so any effort to tap into the local share of the Severance Tax to fund libraries would have to be put into legislation at the local level. Initial thoughts are that local funds will be dedicated to roads and highways. Task Force members were informed that funds generated by the severance tax would likely have to be used to address the problems and issues that arise from the extraction of gas from the Marcellus Shale reserves and it would be difficult to allocate these funds for libraries.

2. Alternative Source(s) to State Funding for Libraries Outside of State General Fund

State funding for libraries in Pennsylvania currently falls under the Department of Education in the general state budget. Located there, funds are very competitive and often the subject of annual budget reductions. Interestingly, there is no legislative education subcommittee that focuses on libraries. The House Education Committee has not reviewed libraries in at least the last three years.

Given the state's financial constraints, state funding for libraries dropped 27.9% in 2009-2010 and another 11% in 2010-2011. Carnegie Library of Pittsburgh has incurred a cumulative loss of \$1.3 million in state funding as a result. These reductions came at a time when the public library subsidy had finally increased above its high point at pre-2003 levels (\$75 million). In 2003, library funding across the state had been cut by 50% to \$37.5 million. Given the volatility of the state's general budget, State elected officials serving on the Task Force indicated that the general state budget may not be the best place for library funding to be housed, and an effort could be made at the state level to move libraries out of the general fund and into another dedicated funding mechanism.

In addition to the state's general operating budget, there is an additional \$14 billion that sits outside the general fund with dedicated funding streams. Moving library funding out of the general fund and into a dedicated fund account, such as mass transit is, might help protect the Library from fluctuations in funding associated with the general fund. During recent budget discussions, however, State officials were looking at this \$14 billion in dedicated funding streams to see if anything could be moved back into to the general fund to capture some savings. Even some of these programs were being frozen or eliminated due to the magnitude of the state's budget deficit, so it is unclear whether a separate fund for libraries would be any safer housed outside of the general budget.

Any change to move libraries to a dedicated fund would require action through the General Assembly. An extensive review of the State's Library Code, enacted in 1961, has been initiated by the Joint State Government Commission. The purpose of the study will be to review the Library Code and the current library structure in Pennsylvania to see how it should be modernized to reflect changes that have occurred over the past 50 years. The study is expected to be completed by the end of November 2010. It is unclear at this time what impact this review will have on how libraries are currently funded, but it may provide an opportunity to look at current funding mechanisms and provide more stable state funding to libraries.

3. School District Funding Support of Libraries/State Reimbursement for School Library Services

Task Force Members discussed whether the Pittsburgh Public School District (PPS) already contributes funding to Carnegie Library of Pittsburgh or could contribute funding to help sustain libraries. Carnegie Library of Pittsburgh and the Pittsburgh Public Schools maintain a close working relationship with aligned missions to promote literacy and learning. CLP staff conduct many outreach programs within the Pittsburgh Public

Schools and also provide in-house programs for students at the Library. Specifically, Carnegie Library has a dedicated outreach team for both preschool and elementary schools. The Early Learning BLAST (Bringing Libraries and Schools Together) program focuses on the supplemental child care programs supported by the Pittsburgh Public Schools and sees a minimum of 30 classrooms per month. The elementary BLAST school outreach program focuses primarily on students in grades K-5 in the Pittsburgh Public Schools and sees about 80 classrooms per month. Additionally, the Library provides an extensive Summer Reading Program that reaches thousands of students to improve reading skills during the summer months. Currently, PPS provides nominal funding for the BLAST (Bringing Libraries and Schools Together) Program, but there is no dedicated funding from school taxes.

In response to indications that the Pittsburgh Public Schools may be reducing libraries in schools, Task Force members questioned whether greater demands would be placed on Carnegie Library of Pittsburgh as a result and whether there might be an opportunity to provide an enhanced role, which could be funded by the School District.

Task Force members explored whether the State provides any direct funding specifically for school libraries. There is no dedicated appropriation for school libraries. The Task Force also confirmed that school libraries are not being closed, although the number of librarians may be reduced.

4. Drink Tax Increase

In December 2007, Allegheny County enacted an Alcoholic Beverage Tax of 10% on all sales of alcoholic beverages in Allegheny County. A year later, an amendment was passed reducing the rate of the Alcoholic Beverage Tax from 10% to 7%, which became effective January 1, 2009. Task Force members explored the possibility of whether dedicated library funding could be secured by increasing the Drink Tax back to the authorized 10% and using the extra 3% to help fund all libraries in Allegheny County. The legislation authorizing the Drink Tax directs that all revenues earned from the tax must go to mass transit. An effort to redirect some of the revenues to libraries would require reopening the legislation to make an amendment. There still exists a large lobbying effort to eliminate the drink tax altogether, so this effort does not seem feasible.

5. Special Purpose Library Tax (County)

Authority exists for Allegheny County to levy a Special Purpose Tax for Libraries with no limit per 24 P.S. 4401. County Council would be required to introduce and pass an ordinance authorizing an increase to real estate tax millage. The current real estate tax rate is 4.69 mills. Raising County millage by 1/10 of one mill would generate approximately \$5.8 million, which would be shared by all libraries in Allegheny County. A county-wide tax to benefit all libraries in the County would require a formula to disburse funds fairly.

The prospect of increasing real estate taxes is a controversial issue. Furthermore, while discussing this revenue opportunity for a county-wide Special Purpose Library Tax, Task Force Members raised the question whether this group should initiate a discussion regarding a county-wide merger to a single library system. All libraries in Allegheny County are experiencing similar financial problems and operational constraints as Carnegie Library of Pittsburgh. There was some discussion whether a solution for sustainable funding for libraries could benefit all libraries in the County and not just Carnegie Library alone. Members agreed that there is merit in analyzing the efficiencies that might be achieved with a single library system; however, members felt that this is a long-term discussion that was not best led by this Task Force. It is recommended that elected officials including the Allegheny County Executive and the Mayor of the City of Pittsburgh initiate such a study or direct the Allegheny Regional Asset District to do so, which would bring all 45 library systems in the County together to discuss what opportunities may exist. Task Force members also agreed that Carnegie Library of Pittsburgh must be in a position of financial strength before any potential county-wide merger could occur.

The Task Force agreed that a county-wide Special Purpose Tax for libraries was not an option to explore further at this time since the Task Force was charged with finding sustainable funding to support the Carnegie Library of Pittsburgh system.

6. Dedicated Library Tax (City)

Act 511, the Local Tax Enabling Act, and Act 62, the Home Rule Act, give the City of Pittsburgh the authority to raise existing taxes on its own. The authority vested in these laws would allow the City to direct a portion of revenues to Carnegie Library of Pittsburgh. Dedicated library funding could be tied to an increase in the City's real estate tax or the earned income tax. An increase of 1/4 of one mill would generate approximately \$3.25 million. To generate a similar amount from the earned income tax would require an increase from 1.0% to 1.05%.

Through Act 511 or the Home Rule Charter, City Council could introduce and pass an ordinance authorizing an increase to either the real estate tax or the earned income tax with the requirement that a public hearing must be held. Alternatively, a referendum to amend the Home Rule Charter and increase taxes for the benefit of the Library could be placed on the ballot during any primary, special or general election. The result of such a referendum would be binding, not just advisory. A referendum can be placed on the ballot in two ways:

- A petition signed by at least 10% of the number of electors voting for the office of Governor in the last gubernatorial general election in the city with the number of required signatures being based on the number of city voters who participate in the upcoming November 2010 election. Petitions need to be submitted no later than 13th Tuesday before election but cannot be submitted earlier than the 20th Tuesday before the election.

or

- An ordinance of City Council proposing the amendment.

A referendum can also be placed on the ballot under the authority of the State Library Code.

The Task Force reviewed the option of increasing the real estate tax versus the earned income tax as the source of dedicated library funding. Members suggested that the City's earned income tax rate of 3%, which includes both the City and the School District, is already among the highest in Allegheny County. Members agreed that it would be overly burdensome to increase the earned income tax further, and the real estate tax would be preferable of the two choices.

Discussions about any tax increase are difficult; however, Task Force members maintain that a petition drive to place a referendum on the ballot would put the prospect of securing dedicated library funding in the hands of the community. A "yes" vote would secure additional revenue to sustain library operations.

7. Pittsburgh Public School as Conduit for Tax Funding

Task Force members considered the feasibility of having the Pittsburgh School District serve as the conduit for the library to receive tax funding rather than having the City of Pittsburgh serving in that role. This suggestion was not an increase in school taxes to help fund libraries. Given the various issues facing the school district, the Task Force did not consider this a viable option. Task Members agreed that it is a good idea to partner with the Pittsburgh Public Schools and any educational institution when possible as they should be serving as greater advocates for the Library given the services provided by the Library to students of all ages in the community.

8. Amusement Tax Increase

The City of Pittsburgh levies a 5% Amusement Tax on the admission price paid by patrons of all forms of amusement. Community members have suggested that Pittsburgh's sports teams in particular should be asked to contribute some level of support to the Library. Task Force Members reviewed the feasibility of an increase to the Amusement Tax as one way to secure additional revenue from sporting venues. The City does maintain the authority to increase the Amusement Tax up to a maximum of 10%. Revenue is based upon the top twelve payers of the tax within the City, who generate approximately 85% of all amusement tax revenue, including the sports teams. Particular attention was paid to ensure that an increase in the Amusement Tax would not impact the many non-profit performing arts groups in Pittsburgh. It was verified that non-profit performing arts groups are exempt from the Amusement Tax. \$2.27 million could be generated by increasing the Amusement Tax by 1%.

Initial interest in this option waned upon learning that the sports teams would be relieved from paying any increase above the 5% rate. Existing lease agreements between the sports teams and the Sports and Exhibition Authority (SEA) require that the SEA bear the cost of any future rate increases to the Amusement Tax above the 5%. As a result, the Task Force does not feel this is a viable option.

9. Local Services Tax Increase

The Local Services Tax is a \$52 yearly tax on all employees working in the City of Pittsburgh who earn more than \$12,000 per year. Task Force members considered the possibility of raising this tax to provide a dedicated revenue stream for libraries. Increasing the Local Services Tax by \$5 would generate \$1.225 million for CLP. This tax impacts all employees working in City regardless of where they live. The City of Pittsburgh has been urging state officials for an increase in this tax to help fund their own obligations, which has gained little support.

10. Deed Transfer Tax Increase

Real estate professionals, elected officials, development professionals and the community have articulated that the presence of a public library in a neighborhood increases property values and is often used as a selling point. The Task Force discussed the possibility of increasing the Deed Transfer Tax in an effort to capture some of the value that the library brings to community development. Currently, a tax of 3% is paid for real estate property transfers, of which 2% goes to the City of Pittsburgh and 1% goes to the Pittsburgh School District. This rate already is considered high against benchmarked cities. The economic crisis also has negatively impacted real estate sales and the revenues the City receives from this tax. Task Force Members did not wish to pursue this option further.

11. Library Donation Tax Form Check Off

A suggestion was made that the City of Pittsburgh could add a Tax Form Check Off option to their tax bills for taxpayers to donate to the Library. Precedent exists with a check off box to donate to the Pittsburgh Promise. The Task Force discussed this opportunity as a viable option understanding that it would likely yield limited revenue (\$10,000-\$15,000) given that taxpayers are not inclined to be philanthropic at tax time. Some concerns were expressed that the Library should not compete with the Pittsburgh Promise for donations; however, given the similar goals and importance of libraries to literacy and learning, it could be a new opportunity to diversify the Library's funding stream with minimal effort.

12. Tax Credit Program for Donors to Library (Idaho Model)

Carnegie Library of Pittsburgh could work with local and/or state officials to request that a tax credit program be implemented specifically for individuals and corporations who contribute to the library. In Idaho, individuals and corporations who contribute to libraries are eligible for tax saving per the Idaho Code section 63-3029A, which allows

individuals or corporations to take a tax credit for charitable contributions made to public libraries, library districts, and the Commission for Libraries. An individual taxpayer's contribution to a public library is allowed as an itemized deduction on the federal return as well as on the Idaho return. In addition, the taxpayer receives an Idaho tax credit for the contribution. The credit is limited to the smallest of one-half of the amount contributed, 20% of the individual's income tax, or \$100 (\$200 on a joint return). This credit is also available to Idaho corporations who make a charitable contribution to a public library, library district, or the Commission for Libraries. For corporations, the credit is limited to the smallest of one half of the amount contributed, 10% of the corporation's income tax, or \$1,000. The Commonwealth of Pennsylvania already provides tax credit programs for corporations donating to eligible and approved community organizations like CLP through the Educational Improvement Tax Credit Program (EITC) and the Neighborhood Assistance Program (NAP). CLP might consider requesting that tax credits be extended to individual contributors at both the state and local levels.

13. Library Fee on Utility Bill

Task Force members briefly discussed the possibility of adding a library fee on utility bills such as water and sewer, electric or gas bills. This would require approval by the boards of the corporations and/or authorities or the Public Utility Commission, which Task Force members felt would be difficult to secure.

14. City and County Annual Appropriation

Prior to the creation of the Allegheny Regional Asset District (RAD) in 1994, the Library received most of its funding from both the City of Pittsburgh and Allegheny County. Once RAD was established, annual appropriations from the City were reduced to \$40,000, and Allegheny County continued to provide some directed funding for Bookmobile and eiNetwork services for approximately six more years. The RAD legislation was passed as a way for the City and County to remove the burden of directly funding many of the region's cultural and recreational assets including libraries, parks, the Pittsburgh Zoo, the National Aviary and Phipps Conservatory, among others. Libraries have fared much better under the RAD funding model than they otherwise would have if funding continued to come directly from annual City and County appropriations. While funding has undoubtedly improved, the local share of funding from the Allegheny Regional Asset District and the City of Pittsburgh makes up approximately 73% of CLP's total budget, which trails the average local funding received by libraries nationally, at 81%. Many other libraries in Allegheny County continued to receive both RAD funding and a contribution from their municipalities after RAD was created, understanding that ongoing local support for the libraries would continue to be critical.

In 2009, the City of Pittsburgh helped make it possible for the Library to defer for one year part of its plans to close or relocate several of its branches by making a significant commitment of one-time stop-gap funding for fiscal year 2010. Additional support for

2011 and beyond is not anticipated; however, it is recommended that Library officials continue to advocate for an increase to annual support from the City. It is widely recognized that both the City of Pittsburgh and Allegheny County have financial problems of their own. As much as an increase to annual funding from the City in particular is desirable, especially to increase the local share of public support to the Library's budget, the Task Force does not feel that reinstating an annual appropriation from either the City or the County is likely.

15. Library Endowment Campaign

Many community members have been surprised to learn that Andrew Carnegie did not endow Carnegie Library of Pittsburgh. They have suggested that the Library launch an endowment campaign to secure additional operating support. Carnegie Library of Pittsburgh does have a relatively small endowment valued between \$8 and \$10 million. Interest earnings from the endowment currently yield between \$180,000 – \$350,000 depending on the draw, which cannot exceed 5%. The Library would need to raise approximately \$25 million to generate additional operating revenue of \$1.25 million with a 5% draw. Task Force Members are supportive of this opportunity to secure additional funding; however, it will take many years to raise this level of funds, and it is not an immediate solution to looming deficits. Placing this opportunity in some context, it took the Library nine years to raise \$25 million from individuals, corporations, and foundations for CLP's first-ever capital campaign, *Libraries for LIFE*. Fundraising professionals also have articulated that it is much more difficult to raise endowment dollars for operating support than it is to raise money for capital needs, indicating that it may take even longer to raise the necessary endowment dollars. The decision to launch an endowment campaign is ultimately a Board of Trustee decision. The Task Force recommends that the Board of Trustees consider an endowment campaign as a longer-term strategy to improve community support of the Library and diversify its funding.

16. Other Private Fundraising and Building a Culture of Support

Task Force members discussed the need for the Library to better educate the public with increased media attention, fundraising efforts, volunteerism, Friends groups, and advocacy in order to build a stronger culture of support for it. Citizens attending the Library's Community Conversations to discuss the future of the library system also have stressed the Library's need to do more with fundraising and marketing.

Private fundraising for library operations and special programs has been a strategic priority for Carnegie Library of Pittsburgh over the last decade. The Library has a goal to increase annual giving to reach 10% of its total annual operating revenues. The national average for non-tax sources of funding to libraries is 8.5%. Carnegie Library of Pittsburgh revenue from non-tax sources is currently at 7.5%. Annual fundraising for operations and special programs in 2009 totaled \$1.68 million in both unrestricted and restricted contributions from corporations, foundations, individuals and earned interest income from private trusts. Funds are actively raised from corporations, foundations, and individuals on an ongoing basis.

Corporations

Educational Improvement Tax Credit Program (EITC)

Carnegie Library of Pittsburgh (CLP) is recognized as an Educational Improvement Organization through the Commonwealth of Pennsylvania's Educational Improvement Tax Credit (EITC) Program. Carnegie Library of Pittsburgh hosts a variety of youth literacy programs throughout the region, many of which are approved to receive EITC tax-credit contributions. The EITC Program was created to give businesses and corporations an incentive to support organizations like Carnegie Library of Pittsburgh. Companies can earn up to a maximum of \$300,000 a year in tax credits. In FY 2009, the State significantly reduced the amount of tax credits available to eligible businesses. This reduction severely curbed corporate contributions to CLP through the EITC program. Prior to these cuts, CLP received over \$100,000 in corporate contributions. In 2009, the Library received just over \$20,000.

Matching Gifts

Many employers sponsor matching gift programs and will match charitable contributions made by their employees. Companies may also match gifts from employees' spouses or retirees as well. Matching gift contributions from corporations totaled \$8,800 in 2009. CLP should try to target more local matching gift companies for expanded partnership programs.

Sponsorships

CLP approaches area companies for a variety of sponsorship opportunities including the Summer Reading Extravaganza, library renovation grand reopening events, and other special library programs like the Teen Underground Café or Authors Meet Their Audience. Sponsorships are program specific and provide additional opportunities for reaching out to specific audiences. They would not solve the Library's structural deficit.

Nationally, philanthropic giving from corporations was approximately 4% of total giving in 2009. For CLP, corporate giving for annual operating support in 2009 totaled \$156,824 or 9% of total private contributions. At this level, CLP's corporate support performs better than the national rate.

Foundations

Carnegie Library of Pittsburgh submits approximately 70 proposals to foundations annually. Grant requests are made for special programming, equipment, capital improvements, and collections, among others. With the exception of Family Foundations, most of these requests are for restricted purposes, which supplement spending for basic library services, and cannot be used for general operating support. Very few foundations award grants for general, unrestricted operating support.

Nationally, philanthropic giving from foundations was 13% of total giving in 2009. For CLP, foundation giving comprised 43% of total private contributions. In 2009, \$731,663

was raised from Foundation grants, which were mostly restricted for funding special programs.

Individuals

Carnegie Library of Pittsburgh has developed an annual giving program that includes three direct mail appeals, multiple e-solicitations, and passive solicitations through newsletters issued three times per year as well as through the Library's annual report. Other giving opportunities are marketed including "name-in-a-book" tribute/honor gifts, Donor Plus Card Program, a monthly sustainer program, major gifts, and legacy giving opportunities. Carnegie Library of Pittsburgh also participates as a donor agency with the United Way and the Three Rivers Combined Federal Campaign.

Donations can be made in person at any CLP location, by mail, via telephone, or online through CLP's Web site. Efforts have been made to improve the ease by which individuals can make donations; however, more work can be done to simplify the donor's giving experience.

CLP has more than tripled the number of its donors from 1,420 to 5,081 from 2002-2009. While there has been great improvement, private support from individuals continues to lag behind typical philanthropic benchmarks. Currently, individuals giving to CLP make up 34% of total annual giving while the national average for individual giving is 75%.

And yet, CLP's private fundraising efforts fare well compared with many similar urban library systems across the country. Recent benchmarking shows a range of library development efforts. Places like Cleveland Public Library have relied solely on public support with very little private fundraising while a large system like Chicago Public Library supported by their Library Foundation raised over \$5 million to help support its system of 75 library locations. Most of the benchmarked libraries of similar size to CLP fell in the \$500,000-\$1.5 million range for annual dollars raised.

Donor Plus Card

In 2004, CLP's Donor Plus Card Program was launched to increase the Library's donor base and unrestricted donations by creating an entry-level, customer-oriented development program. The program was designed to generate customer awareness of CLP's need for both public and private financial support. The program involved development, marketing, operations and accounting in a partnership to promote a membership library card with a donation associated with it. Since inception, customer acceptance has been steadily growing with little resistance to the concept of a donation-based library card. In 2009, the Donor Plus Card Program generated \$56,000.

The Development Office has implemented various strategies to diversify and increase the Library's fundraising base. The Library has significantly increased the number of ways individuals can give to CLP (i.e. placing donation jars in all locations, adding "thank you" response envelopes to mailings, launching a monthly sustainer program, adding a

payroll deduction option for employee giving); adding a major fundraising campaign to coincide with National Library Card Month in September; re-launching the Donor Plus library card program; significantly expanding its electronic communications efforts to increase online gifts; and increasing the number of grant applications submitted to family foundations, foundations and corporations. The Task Force does recommend that CLP look at its Planned Giving program for supporters to leave a legacy gift to the Library through bequests.

The Library has improved communications about the many ways people can help support the Library. The Library's advocacy campaign, "Pittsburgh Protect Your Library: Write. Give. Talk," is a multimedia campaign that seeks to inform, motivate and activate supporters. The Library also has published and distributed the publication, *Novel Ways of Supporting the Library*, which details in 10 "chapters" the many ways individuals and organizations can support the Library through giving, volunteerism and advocacy.

While great strides have been made in the area of private fundraising, efforts should continue to strengthen the amount of private contributed support raised. The Library's communications objectives need to communicate the vital role that Libraries fill for individuals and our community and emphasize the urgent need for public support of the Library. CLP should take a proactive approach towards public relations, media communications and marketing and promotion to create awareness, build advocacy, and increase financial support. The community strongly feels that if people were more aware of the Library's impact in the community they would be more likely to support it. Nonetheless, it should be understood that private giving will never replace government support of the Library.

17. Future Sales Tax Allocation Increase (RAD)

The Allegheny Regional Asset District (RAD) was established and signed into law by Governor Casey on December 1, 1993. The purpose of the legislation was to provide assistance with ballooning real estate taxes and personal property tax and to provide a funding source for organizations like libraries, the zoo, the aviary, and museums, among others.

Carnegie Library of Pittsburgh is designated as a contractual asset of the Allegheny Regional Asset District, and as such, receives annual funding from ½ of the extra 1% in sales tax dollars that consumers pay in Allegheny County. A five-year contract that runs through 2014 governs the relationship between RAD and the Library.

The Allegheny Regional Asset District is responsible for distributing 50% of the total sales tax proceeds to the County's eligible cultural and recreational assets, including libraries. The remaining 50% is used for tax reform assistance with 25% going to municipal governments and 25% going to Allegheny County. The Allegheny Regional Asset District is governed by a board comprised of four members appointed by the County Chief Executive, two appointed by the Mayor of Pittsburgh, and one elected by

the six appointees. This Board is ultimately responsible for making decisions about annual funding allocations to the assets.

In 2009, RAD sales tax dollars totaled \$78.8 million. Since its creation, RAD revenue has increased annually until 2008 when the current recession started. Total revenues continued to decline until 2010, which showed small and unexpected growth in the second half of the year. Reflecting this trend, RAD funding to Carnegie Library of Pittsburgh increased steadily until 2008 but has been at the same level since. A 3% increase has been approved for 2011. The Allegheny Regional Asset District currently allocates 31% of available sales tax revenues to libraries, including Carnegie Library of Pittsburgh, the Allegheny County Library Association, and the eiNetwork, which is the technology arm that serves all libraries in the County. Library funding in total receives the largest percentage of RAD dollars with Parks and Conservation allocations right behind at 28%. Even as the number of assets funded through the Allegheny Regional Asset District has grown since its inception, the percentage of the budget dedicated to library funding overall has stayed about the same.

RAD's allocation to Carnegie Library of Pittsburgh is the Library's largest single revenue source and comprises approximately 73% of the Library's total operating revenues. As a contractual asset, Task Force members agreed that the Library should seek additional long-term funding through RAD, especially in response to the findings from the recent special audit commissioned by RAD, which confirmed that the Library's deficit will continue to grow if long-term funding is not secured. CLP's current contract with RAD does not provide for any annual increases in funding, but that does not preclude the RAD Board from allocating additional funds when they adopt the budget each year. It would be desirable to have RAD provide guaranteed annual increases to Carnegie Library of Pittsburgh that are written into their contract when it is renewed in 2014.

The Library now receives \$17.6 million from RAD, which includes \$1 million for debt service. If the Library could secure \$2.1 million in additional sales tax revenue, it would reach the national average of 81.4% of operating support contributed by local funding. With significant declines in revenues since 2008, RAD has had to dip into their reserves in the past several years to fund their commitments. Sales tax revenues had been expected to remain flat through 2012, so it was unclear whether RAD would have the ability or the willingness to increase its allocation to CLP substantially. CLP requested an increase of \$1.7 million in its 2011 budget submission to RAD to cover the Library's projected deficit for 2011 for a total of \$19.3 million. A 3% increase was approved for 2011 for a total of \$18.1 million, a \$528,000 increase.

Members discussed whether it would be possible to increase the percentage of sales tax that RAD receives overall, thereby increasing the total pot of dollars available to distribute. State action would be required to amend the legislation in order to alter the percentages now going to municipalities and Allegheny County for tax reform and increase the amount going to RAD. In 2010, Governor Rendell had proposed the possibility of lowering the sales tax rate but expanding the number of goods and services affected by the sales tax. His analysis projected an increase in overall sales tax proceeds,

but the proposal did not gain support. Task Force members expressed some concern about reopening this legislation because there still exists strong opposition to the extra 1% sales tax that might be used as an opportunity to eliminate it altogether. Alternatively, many other groups and organizations that are currently not eligible for RAD funding might use the opportunity to get added into the legislation in order to tap into sales tax funding, which would make funding even more competitive.

18. Specialized Area Tax Opportunities

Many areas across the country are considering special taxes for certain items like sugar drinks, candy, or food for home consumption. The feasibility of such taxes will need to be explored further as they would affect the entire county. Most of these items would require approval by the state legislature and would take some time to gain support and implement.

19. Capital: Developer Fees/TIFS for Libraries

Task Force members were informed about Chicago's model of using Tax Increment Financing (TIF) to fund capital improvements to their libraries. TIFs are real estate tax revenues that are set aside for public use to develop specific areas that are considered blighted. With CLP's library renovations serving as major anchors for several neighborhood redevelopment projects, this opportunity deserves further exploration. However, a TIF district has never been set up to help with operating funds, only capital funds. Given the scope of the Task Force to focus on operational dollars, the Task Force recommends that this option be sent to CLP's Facilities Committee for consideration regarding capital funding, but it is not a good option for operating. The City of Pittsburgh has the authority to designate a TIF District through legislation.

LOWER-YIELD REVENUE OPPORTUNITIES

	Annual Revenue Potential
1. Advertising on CLP's Web Site	\$50,000
2. Fees for Service:	
- Meeting Room Rental	\$12,500
3. Friends Groups (All groups included)	\$70,000
4. Gala/Fundraiser	\$80,000
5. Retail Opportunities:	
- Coffee Shops in Libraries	\$10,000
- Physical and Online Stores	\$10,000
- Pittsburgh Photographic Library Print Sales	\$15,000
- Used Book Sales	\$5,000
Total: \$252,500	

REVENUE OPPORTUNITIES REQUIRING COUNTY-WIDE SOLUTION INCLUDING
ACLA PARTICIPATION

Fees for Service:	
- Computer Usage	No Estimate
- Entertainment Movie Rental	No Estimate
- Reserving Materials	No Estimate

DETAIL OF LOWER-YIELD REVENUE OPPORTUNITIES

Advertising on CLP Web Site

An analysis was done in 2003 regarding potential revenue generating activities for Carnegie Library of Pittsburgh's Web site. At that time, it was believed that the Library's investment for establishing the program and attracting and managing advertisers would not likely be recouped. Primarily, only major consumer brands are using online advertising, and those companies were consolidating their ad dollars among the top 50 Web sites. Major companies have too many choices for advertising among the national outlets, and local companies would be harder to convince. The use of affiliate marketing programs was another possibility to consider where CLP could link to a retailer who would then pay the Library a referral fee. For example, CLP could link to Amazon.com for Library Web site visitors to buy books in general and/or highlight specific books from the collection. While these affiliate programs require little infrastructure investment, they provide small amounts of revenue and are likely not worth the effort to implement. Most libraries already doing this are grossing less than \$50 per month, so it was not recommended as a major revenue generator.

CLP does have a business relationship with Google whereby the Library earns some revenue for Internet searches launched from the search box located on every page of CLP's Web site. Revenue generated is between \$1,500-\$2,000 annually.

The analysis recommended that sponsorships could be a more prudent and economical avenue for the Library to pursue since CLP already has many of the resources and staff in place to lead a successful sponsorship effort. Whether CLP attempts to secure one major contributor to sponsor the entire site or pursues multiple sponsors for different pieces of the site for different periods of time, the report suggests that revenue generated could reach as high as \$96,000 annually; however, since the report was written, online costs have decreased given increased competition, and that number may be significantly lower now.

Charge for Meeting Room Space

Carnegie Library of Pittsburgh has a fee schedule for renting meeting room space in each of its facilities that provides this service. Non-profit neighborhood and community groups are able to use meeting room facilities during regular branch hours at no charge unless light refreshments are served, in which case a \$30.00 cleaning fee is assessed. For all other meal service, a cleaning fee of \$70.00 is assessed. A non-profit group charging admission, closing the meeting to the general public, or otherwise collecting funds is charged as a for-profit group. Additional cleaning fees may occur depending on location.

A base rental fee is charged to for-profit organizations to utilize meeting rooms for educational or charitable purposes. Charges for social gatherings, such as showers, birthday parties, dances, etc., are assessed at the for-profit rate. Both for-profit and non-profit organizations who wish to rent an entire facility are charged. Rental fees range between \$60-\$90 per hour with a minimum three-hour window required.

CLP earned approximately \$12,300 in 2009 from meeting room/auditorium rental fees. The Library could increase rental rates and better market these spaces for more large-scale events, but an analysis should be done to determine whether the additional revenue that might result exceeds the additional costs that would be required.

Friends Groups

Carnegie Library of Pittsburgh benefits from many Friends Groups that support specific branch locations and library departments. Currently, 12 Friends Groups exist that provide support to the Main Library and 11 branch locations. Efforts are under way to start new groups at locations where none now exists. In addition, the Friends of the Music Library support the activities of the Music Department at the Main Library. Most of the revenue generated comes from annual membership dues, used book sales, bake sales, flower sales, appraisal fairs, dinners, and auctions. Branch Friends Groups raised \$40,800 in 2008. Friends of the Music Library raised \$27,670 in 2009. From these funds, Friends Groups provide direct funding to the branch or department for specific requests made by Library staff for a variety of needs. There is significant support in the community to invigorate Friends Group activities and the role they play in serving as advocates, volunteers, and financial contributors to CLP's services and programs.

Host Annual CLP Gala/Fundraiser

Carnegie Library of Pittsburgh has held various annual fundraisers/galas over the years. From ticketed champagne luncheons to special guest speakers like Maya Angelou to the "Literary Feast" gala at the Main Library, CLP does have a history of hosting special fundraising events. Through both corporate sponsorships as well as individual ticket sales, net revenues have ranged from \$35,000 - \$80,000 depending on the event. Special events require significant staffing and financial resources to execute effectively. It is recommended that the Board's Development Committee consider whether the benefits of such a special fundraising event(s) outweigh the commitment of institutional resources to implement.

Retail Opportunities:

a. Coffee Shops in Libraries

Cafés have grown as a feature of new and renovated Main libraries across the country with varying success. Those libraries that had the highest traffic counts and a café in the most visible location were most successful. Cafés in smaller libraries have not been as successful due to low traffic counts and/or inexperienced operators.

When CLP's Main Library was renovated, Crazy Mocha was selected as the successful vendor. In addition to providing food and beverage service, Crazy Mocha rings the used book and CLP merchandise sales for a commission. This enables CLP's Library Shop to remain open for the entire time the Library is open and saves on labor expenses to run a separate cash register. The service is operating successfully with broad customer acceptance. CLP receives base rent as well as a portion of revenues earned by Crazy Mocha over a specific amount. Annual revenue generated is approximately \$10,000.

b. Physical and Online Stores

Several years ago, Carnegie Library of Pittsburgh began selling a variety of CLP Logo merchandise including pens, pads, reading lights, book bags, t-shirts, umbrellas, etc. There were “stores” in both the Main Library as well as Squirrel Hill as well as an on-line store. Only Main Library’s “Library Shop” remains.

Other merchandise has been sold on occasion like the Arcadia series of books, “Oakland” and “Pittsburgh” where CLP receives royalties because of the Library’s involvement with the writing and/or inclusion of pictures from our photographic collection.

CLP also created a line of merchandise called “Remember Pittsburgh,” which included items bearing images from our Pittsburgh Photographic Library such as notecards, postcards, coasters, magnets and t-shirts. Income generated did not merit the investment of staff time to manage the stores beyond a trial period.

Annual sales of logo merchandise and used book sales from the Library Shop at the Main Library are approximately \$10,000.

c. Pittsburgh Photographic Library Print Sales

CLP has an enormous collection of unique photos and negatives representing some of the country’s most renowned photographers. It is a significant chronicle of Pittsburgh’s past with particular strength in the Pittsburgh Photographic Collection, work done in 1950s under the direction of Roy Stryker. The collection is frequently used by historians, authors, students and others doing projects on Pittsburgh. Prior to 2003, all photo prints were sold at the same price regardless of whether the use was personal, nonprofit or commercial. In 2003, the pricing and policies for photo sales were rewritten. Usage fees for commercial and nonprofit sales were established and a wholesale price list was created to encourage galleries to represent CLP in selling its photos for offices, restaurants and personal collections. The collection was given a distinct, trademarked identity: Remember Pittsburgh Collection. Marketing was done in the Main Library, on a rememberpittsburgh.org Web site and through direct mail. Due to a lack of funding and internal capacity, the marketing was limited. Sales through the Web site was nominal, so the site was eventually closed. Annual gross revenues from the sale of prints generates between \$15,000 - \$20,000.

d. Used Book Sales

CLP sells used books in a variety of ways. Friends groups at many branches have periodic or ongoing used book sales throughout the year with proceeds going to the Friends groups, who then support various branch activities. CLP also sells a limited number of second-hand books through an online vendor, Half.com. In 2009, almost \$7,000 was raised. Revenues depend entirely on the size of the inventory of books available to sell. Previous years’ revenues ranged between \$3,000 – \$9,500. CLP also has a used book sale tent at its annual Summer Reading Extravaganza. Annual revenues from that one-day sale average about \$2,000.

REVENUE OPPORTUNITIES REQUIRING COUNTY-WIDE SOLUTION INCLUDING ACLA PARTICIPATION

(Staff Note: Any fees charged for library services must be considered within the ethical principles espoused by the American Library Association and adopted by the Board of Carnegie Library of Pittsburgh, the Laws of the Commonwealth of Pennsylvania that address library funding, and the federated library services provided within Allegheny County.)

Charge for Computer Use

An analysis will need to be done to determine the feasibility and practicality of charging for computer usage. It is not clear whether such a fee has been imposed in a public library anywhere in the United States. The public places a high value on computer access in the public library. According to a 2010 University of Washington School of Information study on computer use and Internet access in public libraries, nearly one-third of Americans age 14 or older – roughly 77 million people – used a public library computer or wireless network to access the Internet in the past year. Internet access is one of the most sought after public library services, and it is used by nearly half of all visitors, particularly those that lack computer access at home or at work. The study states, “But for libraries, millions of Americans would not have reliable Internet access in a digital age when a connection is often needed to complete school assignments, apply for jobs, or secure government services. Overall, 44 percent of people in households living below the federal poverty line (\$22,000 a year for a family of four) used public library computers and Internet access.”

Setting a fee for computer use would need to be determined as well as whether any special technology investment would be required. Staff suspect that such a fee would be “behavior changing” and would significantly reduce the number of people coming to the Library to use computers and further limit equal access to electronic information resources.

Charge for Entertainment Movie Rental

Carnegie Library of Pittsburgh has researched the revenue potential of charging library patrons for circulating entertainment movies. Theoretically, charging \$1 for adult “popular” movies only (excluding documentaries and educational videos) might generate approximately \$350,000 per year. Logistically, there are difficulties with doing this since no libraries in Allegheny County charge for adult popular films at this time. Since all libraries in Allegheny County share their resources, it would be difficult for CLP to charge only for the items that are owned as part of its collection and not for items owned by another County library. It would be similarly difficult if the charge was placed on items circulated from any CLP location regardless of which library owned the item. Without a standard fee across all County libraries, patrons could then select non-CLP-owned items to get around having to pay, or choose to circulate their reserved materials from a non-CLP library location in the County. Customer service staff would have difficulty determining which films require payment versus those that do not. Unless the entire County library system opts to charge for entertainment movies, this fee for service would be difficult to implement, and may result in changing patrons’ borrowing behavior by not checking these items out.

Charge for Reserving Materials

Library users in all Allegheny County libraries have the ability to place reserves on desired materials and have the item(s) delivered to the library location of their choice. A suggestion was made that Carnegie Library of Pittsburgh could begin charging customers who place items on reserve. Again, logistically, there are difficulties with this proposal if such a charge were not implemented across all libraries in Allegheny County. Hundreds of thousands of reserves are placed annually across all libraries in Allegheny County. On any given day, there could be 19,000+ items sitting on reserve shelves at all 73 libraries in the County waiting to be picked up. Of that number, there are 6,500 in CLP locations alone. Roughly 5% of these items never get picked up despite the customer taking the time to request the item. Assuming that the same number of reserves would continue to be placed, if CLP were to charge a \$1 fee for every item reserved, revenue generated might total \$300,000. However, if CLP were the only library in the County to charge the fee, patrons might choose to pick up their items at a non-CLP location, which would negatively affect overall visitors, circulation, and other important usage measures for Carnegie Library of Pittsburgh. Again, these types of fees tend to be “behavior-changing” rather than revenue-producing.

A recent survey of public libraries across the country found no evidence that charging for library services generates sufficient revenue to impact the bottom line. In the September, 15, 2010 issue of *Library Journal*, an article entitled: *Survey on Fees for Library Services: For Love or Money* stated: “discussion with librarians and analysis of results show that revenue generation that actually generates revenue is elusive, and, in fact, such activities can often drain resources. While these programs can help change the perception of the library, even increase goodwill (like that café), they are no panacea for funding dilemmas.”

APPENDIX I

“Sustaining the Carnegie Library of Pittsburgh,”
Supplemental Research and Analysis
(See accompanying report)