

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 524

(Senator Elfreth, *et al.*)

Education, Health, and Environmental Affairs
 and Budget and Taxation

Ways and Means

Building Lifelong Library Learners Act

This bill prohibits a public library from charging a fine, and establishes restrictions on charging a fee, for overdue library materials for a minor. Further, the bill increases the per capita funding amounts for the State Library Resource Center (SLRC) and county public library systems beginning in fiscal 2022. Finally, the bill increases the mandated appropriation for county library capital projects. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$1.3 million in FY 2022 and by \$1.9 million in FY 2025. Future year expenditure increases reflect per capita aid and population increases. The bill is assumed to have no overall effect on capital budget spending; instead, funds are assumed to be reallocated from other purposes. Revenues are not affected. **The bill increases mandated appropriations beginning in FY 2022.**

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1,297,400	1,609,600	1,926,100	1,894,900
Net Effect	\$0	(\$1,297,400)	(\$1,609,600)	(\$1,926,100)	(\$1,894,900)

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

Local Effect: Local library system revenues decrease by an indeterminate amount beginning in FY 2021 due to foregone fee and fine revenues. Beginning in FY 2022, that decrease is offset by direct State library aid increases (estimated at about \$1.0 million annually). Local revenues further increase for county library capital projects by \$2.5 million annually beginning in FY 2022. Expenditures are assumed to increase commensurately for related projects and for matching grants.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill prohibits a public library from charging a fee for a minor's overdue library materials until 21 days after the date on which the library materials were due. If a minor's overdue library materials are returned after a public library has charged a fee, the public library must cancel the fee. The bill prohibits a public library from attempting to collect any outstanding fees for overdue library materials that are incurred by a minor after June 30, 2021. Each board of library trustees must adopt regulations to carry out the bill's requirements.

The bill increases per capita State aid for SLRC by \$0.04 annually from fiscal 2022 through 2024, when it reaches \$1.97 and remains at that amount in subsequent years. **Exhibit 1** compares per capita State aid under current law and under the bill.

Exhibit 1 Per Capita State Library Resource Center Aid Increases under the Bill Fiscal 2021-2026

<u>Fiscal Year</u>	<u>Current Law</u>	<u>Proposed</u>	<u>Diff.</u>	<u>% Diff.</u>
2021	\$1.85	\$1.85	\$0.0	-
2022	1.85	1.89	0.04	2.2%
2023	1.85	1.93	0.08	4.3%
2024	1.85	1.97	0.12	6.5%
2025	1.85	1.97	0.12	6.5%

Source: Department of Legislative Services

State per capita aid for public libraries increases by \$0.40 beginning in fiscal 2022, as shown in **Exhibit 2**.

Exhibit 2
Per Capita Local Library State Aid Increases under the Bill
Fiscal 2021-2026

<u>Fiscal Year</u>	<u>Current Law</u>	<u>Proposed</u>	<u>Diff.</u>	<u>% Diff.</u>
2021	\$16.43	\$16.43	\$0.00	-
2022	16.70	17.10	0.40	2.40%
2023	16.70	17.10	0.40	2.40%
2024	16.70	17.10	0.40	2.40%
2025	16.70	17.10	0.40	2.40%
2026	16.70	17.10	0.40	2.40%

Source: Department of Legislative Services

Current Law:

State Library Network

Since 1888, the State has provided funds to support public libraries throughout the State under what is now known as the State library network. The network consists of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. All these systems receive State funding for operating expenses.

The Central Library of the Enoch Pratt Free Library operates as the designated State Library Resource Center. Funding levels for SLRC are set at \$1.81 per resident in fiscal 2020 and will increase to \$1.85 per resident in fiscal 2021. In subsequent years, the funding level is set to remain at \$1.85 per resident.

Under the fiscal 2021 State budget, funding for SLRC totals \$11.2 million.

Maryland Library for the Blind and Physically Handicapped

The Maryland State Library for the Blind and Physically Handicapped (LBPH) provides comprehensive library services to eligible blind and physically handicapped residents of Maryland, which includes individuals who are legally blind, visually or physically limited, or reading disabled. The library is part of the national network of the National Library Services for the Blind and Physically Handicapped through the Library of Congress. The National Library Services selects and produces recordings of full-length books and

magazines for a network of libraries providing alternative format materials. The LBPH supplements the National Library Service collection with large print books, descriptive videos, children's braille books, and tactile materials such as maps, atlases, and art books. Books are lent on a wide range of subjects in braille, audio, and large type. The service is free, statewide, and can be provided to individuals via the U.S. mail. Approximately 10,000 Maryland residents receive the services provided by the library annually.

LBPH must receive an amount equivalent to at least 25% of the general fund appropriation received by SLRC under the required per capita funding amounts.

Under the fiscal 2021 State budget, funding for LBPH totals \$3.0 million.

Minimum Per Capita Library Program

The State and local governments share in the cost of funding local public library systems through the library aid formula, which establishes minimum State and local contributions. The formula distributes funds on the basis of county population and wealth. Less wealthy counties, as measured by net taxable income and assessable property tax base, receive relatively more aid than wealthier counties. A total program cost for each county and Baltimore City, which is shared by the State and local governments, equals a specified dollar amount per county or city resident.

The formula calculates a local share of the program cost using a uniform local contribution rate applicable to all jurisdictions, and the State pays the remainder of the program cost. The State pays approximately 40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%; however, no library board receives less than 20% of minimum per capita programs from the State. Under the Governor's proposed fiscal 2021 budget, State aid for local libraries totals \$44.1 million.

County Library Capital Projects

State funding for county library capital projects has been mandated at \$5.0 million annually since fiscal 2008. State grants may not exceed the eligible capital cost of the project, with a maximum State share of 50% to 90% based on taxable wealth per capita. If requests for State funding exceed \$5.0 million, awards may be reduced to reflect geographic diversity in the allocation of grant funds. The fiscal 2021 capital budget provides \$7.3 million for five projects, with \$5.0 million annually projected for the program in fiscal 2022 through 2025.

State Expenditures: Exhibits 3 and 4 show the per capita aid increases under the bill. State formula aid to SLRC increases by \$242,447 in fiscal 2022 and, based upon current

projections for population growth, by 734.273 in 2025. State direct library aid increases by \$994,349 in fiscal 2022 and by \$977,093 in 2025. Further, funding for LBPH increases by \$60,612 in fiscal 2022 and by \$183,568 in 2025.

In addition, to the extent the additional funding is used to hire personnel and otherwise increase the statewide salary base for local library systems, State retirement expenditures increase beginning in fiscal 2024.

Exhibit 3
Increase in Funding for SLRC and LBPH under the Bill
Fiscal 2022-2025

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
SLRC	\$242,447	\$486,410	\$731,924	\$734,273
LBPH	60,612	121,602	182,981	183,568
Total	\$303,058	\$608,012	\$914,905	\$917,841

LBPH: Maryland State Library for the Blind and Physically Handicapped
SLRC: State Library Resource Center

Source: Department of Legislative Services

Exhibit 4
Estimated Increase in State Aid under the Library Aid Formula
Fiscal 2022-2025

<u>County</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Allegany	\$20,754	\$20,667	\$20,597	\$20,231
Anne Arundel	60,818	62,371	64,286	59,107
Baltimore City	155,953	153,478	151,192	145,576
Baltimore	158,002	158,745	159,841	153,878
Calvert	13,419	13,808	14,248	13,733
Caroline	8,438	8,548	8,668	8,586
Carroll	26,913	27,352	27,881	26,750
Cecil	21,569	21,703	21,878	21,249
Charles	29,868	30,685	31,584	31,019
Dorchester	7,655	7,647	7,650	7,447
Frederick	40,419	42,063	43,884	43,088
Garrett	4,226	4,255	4,297	4,040
Harford	44,703	45,756	46,941	45,789
Howard	26,266	28,036	30,040	27,774
Kent	2,669	2,689	2,719	2,545
Montgomery	84,591	84,997	85,399	85,802
Prince George's	183,380	182,808	182,581	174,779
Queen Anne's	5,111	5,399	5,721	5,425
St. Mary's	20,472	20,764	21,103	20,440
Somerset	7,743	7,705	7,671	7,537
Talbot	2,951	2,945	2,940	2,933
Washington	35,663	36,062	36,511	35,949
Wicomico	28,602	28,953	29,339	29,200
Worcester	4,164	4,180	4,198	4,216
Total	\$994,349	\$1,001,616	\$1,011,169	\$977,093

Source: Department of Legislative Services

County Library Capital Projects

Since the existing \$5.0 million mandated appropriation for capital projects is budgeted in the capital budget, it is assumed that the \$2.5 million increase is also funded through the capital budget. The bill has no overall effect on total spending under the capital budget, which is determined annually by the Governor and General Assembly through the capital

budget process. Instead, funds in the capital budget are reallocated from other purposes to county library capital projects, so fewer funds are available for other capital purposes. If the Governor elects to use general funds instead, general fund expenditures increase accordingly.

Local Fiscal Effect: Local governments receive library program aid increases totaling \$994,349 in fiscal 2022 and \$977,093 by 2025, as shown in Exhibit 4. Expenditures are assumed to increase correspondingly.

The increase in the library program per capita amount also increases the required minimum local funding amount under the library program. However, under current law, local governments tend to fund their local libraries well above the minimum required level; thus, no impact on local expenditures is anticipated for that provision of the bill.

County Library Capital Projects

Local revenues increase by \$2.5 million (in aggregate for all counties) beginning in fiscal 2022 due to the increased mandated appropriation for library capital projects. Expenditures are assumed to increase by the same amount for associated capital projects. Because the library capital project grant program requires a matching fund (from any combination of county municipal, or private sources), local expenditures may also increase in order to match the additional capital funds received under the bill.

Overdue Fine and Fee Revenues

The bill's prohibition on charging overdue fines for minors affect local library system revenues beginning in fiscal 2021. In addition, beginning in fiscal 2022, local libraries may not attempt to collect outstanding fees due for minors. **Exhibit 5** shows the amount of fines and fees collected by public libraries throughout the State in fiscal 2019. However, these figures do not reflect the total revenue impact on county libraries under the bill. The Maryland State Library Agency advises that reported fine and fee revenues do not disaggregate fines and fees collected for children versus adults. In addition, fines for children vary; some library systems collect fines for children, while others do not. Finally, most of the county totals shown in Exhibit 5 include fees for lost books and for use of library printers; only a portion of those revenues are affected by the bill. As a result, the revenue impact under the bill is likely to be much less than the amounts shown below.

For illustrative purposes only, if local library system revenues decrease by 25% of the amount shown in Exhibit 5, revenues decrease by about \$1.0 million beginning in fiscal 2021 (assuming fine and fee revenues would otherwise continue at levels similar to that of fiscal 2019). However, beginning in fiscal 2022, this revenue loss is offset (likely fully) by the increased per capita funding amounts required under the bill.

Exhibit 5
Fine and Fee Revenues for Maryland Public Libraries
Fiscal 2019

Allegany	\$55,665
Anne Arundel	420,796
Baltimore City	179,800
Baltimore County	1,130,440
Calvert	33,483
Caroline	0
Carroll	183,905
Cecil	127,176
Charles	34,727
Dorchester	4,058
Frederick	255,800
Garrett	29,331
Harford	245,000
Howard	236,405
Kent	14,073
Montgomery	604,019
Queen Anne's	17,948
Prince George's	250,057
Somerset	4,002
St. Mary's	61,979
Talbot	0
Washington	164,631
Wicomico	19,487
Worcester	9,778
Total	\$4,082,560

Source: Maryland State Library Agency; Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1000 (Delegate Ebersole, *et al.*) - Ways and Means.

Information Source(s): Maryland State Library Agency; Department of Budget and Management; Department of Legislative Services

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