**TO:** PLA Board of Directors

**RE:** **ALA Overhead Review**

**DATE:** June 3, 2019

**ACTION REQUESTED/INFORMATION/REPORT:** Information

**ACTION REQUESTED BY:** PLA Board

**DRAFT OF MOTION:** N/A

At its Spring board meeting, the board discussed how ALA overhead is calculated and what portion of overhead is allocated to [traditional overhead costs](https://calnonprofits.org/programs/overhead/about-the-nonprofit-overhead-project/what-is) vs. what ALA is allocating to mission-based units that do not generate sufficient revenue. ALA CFO Mark Leon and Senior Financial Analyst Keith Brown will join the board to discuss ALA finances and overhead at our June meeting. We hope that Mark and Keith can share insights into the ALA overhead formula and allocation process and answer questions.

Sustainability

Increasing levels of overhead challenge PLA’s ability to develop and sustain new programs, which hurts PLA, the field, and ALA. ALA overhead rates are increasing from 16.7% in 1998 to 26.5% in 2020. The rate has gone up despite service levels in areas overhead supports (e.g. IT and office space) declining.

Overhead rates of 26.5% on CE revenues make it difficult for divisions that are self-supporting to launch new programs and net enough to reinvest and sustain those new programs. Public library budgets are finite and historically, PLA/ALA rates for CE are relatively low, making for thin profit margins. How does ALA expect units to innovate, sustain, *and* produce overhead? PLA has opted not to go forward with trainings which could have produced overhead but were unsustainable once overhead was applied.

Our recent [EDISJ workshop held in Denver](http://www.ala.org/pla/education/inperson/equity) provides a good example. PLA kept costs as low as possible by hosting at the local public library (thank you DPL!). We had strong attendance, with 85 paid registrations out of a possible 100 capacity. These figures do not include staff time so underestimate cost:

Total Revenue: $18,475

Total Expenses Before OH: $14,807

Net before OH: $ 3,667

Overhead to ALA: $ 4,895

PLA net: $(1,227)

ALA *and* the public library field lose out when these programs are not sustainable and PLA must chose not to hold them. Is ALA thinking about ways to remove this barrier to allow for strategic investment in innovation?

Additionally, there is no consistency within ALA related to CE pricing. Each unit determines its own fee structure and as a result, programs on similar topics have divergent pricing since some units are required to produce overhead and be self-sustaining while others are not. This is confusing to the field and creates unrealistic expectations related to what it really costs to produce context within ALA.

A recent example: PLA held two 2019 Midwinter Institutes, one in collaboration with ODLOS and one independently. PLA priced its day-long event from $80-$200, with the majority of registrations from PLA and ALA members in the $130-150 range. ODLOS priced the other half-day institute at $40-60, primarily to cover the costs of catering. ODLOS also turned down a grant of up to $20,000 to support their event and related activity, which PLA accepted. Are there plans for standardized pricing across the association and who will lead those discussions? Is ALA considering plans to require mission-related offices to move toward cost recovery?