TO: PLA Board of Directors

FROM: Mary Davis Fournier, Executive Director

RE: FY 2024 Budget Assumptions and Process

DATE: January 25, 2023

Below are considerations for the draft of the FY2024 (September 1, 2023-August 31, 2024) PLA budget. This budget draft will be input into ALA’s financial system by the end of February 2023. This budget can be reviewed one more time if any changes need to be made in May 2023 before the ALA budget is approved by the Executive Board in June 2023.

**Overall:**

* The budget will reflect PLA’s strategic plan.
* PLA’s budgeting will be informed by ALA’s budget strategy. In January 2023, ALA Council approved the following budget objectives for FY24:
	+ Positive revenue/expense budget.
	+ Rebuild membership base.
	+ Monitor new revenue sources.
	+ Develop budget surplus.
	+ Focus on financial stability and growth; and develop new budget metrics.
* ALA plans for no furloughs in FY24.
* ALA plans a 3% staff salary increase in FY24; there was a 4% staff salary increase in FY23.
* ALA’s FY24 budget includes a 5% dues increase, using the [U.S. Bureau of Labor Statistics](https://www.bls.gov/opub/ted/2023/consumer-price-index-2022-in-review.htm) Consumer Price Index (CPI) tracking. The CPI average of 5% over the past three years is the basis for the increase.
* Overhead will be charged at the same rate as last year which is 26.5%.

**Conference**

FY24 is a PLA National Conference year. Conference years are *year one* in PLA’s two-year revenue cycle. We build our net asset balance in year one and budget year two (the non-conference year) as a “spend-down” year. The 2022 conference was budgeted much more conservatively than any previous conference due to the pandemic conditions, yet both in-person registration and exhibits performed below budget. As a result, the 2024 conference is again budgeted conservatively in terms of registration and exhibit revenues.

The 2024 conference expense budget reflects actual expenses from the 2022 conference, with two exceptions:

* No special pandemic expenses are included for 2024.
* In the case where a current contract has been signed, contracted expenses have been included.

**Membership**

The FY24 budget includes a 5% dues increase, corresponding to the US Bureau of Labor Statistics [Consumer Price Index](https://www.bls.gov/opub/ted/2023/consumer-price-index-2022-in-review.htm) (CPI) three-year average (2020-22), with the of the student category. Student dues will be frozen at the FY23 rate, per the request of the Budget and Finance committee at its February 18, 2023 meeting. (NOTE: Budget and Finances’ requested change has been reflected in the budget documents presented.)

* The current membership percentage breakdown (83% regular; 6.43% retired/international/non-salaried; 5.89% student; 4.32% organizational; and 0.35% corporate) stays the same. 3) FY23 will see an average non-conference year loss in membership (approx. 1,000) in FY23, bringing the “low” start of FY24 to 7,515.
* Use 7,551 as baseline for applying membership types by percentage and multiplying by estimated dues increase =$69,770.

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| **FY24 Dues Adjustment by Type tied to average three-year CPI** |
| **Adjusted by 2022 Calendar Year CPI = 5%** |
| **Rounded up to nearest dollar** |
| **Member Type** | **FY23 Dues** | **CPI** | **Rounded to the nearest dollar** | **PROPOSED FY24 Dues** |
| **5.0% increase in $** |
| Regular | $81.00 | $4.05 | $4.00 | $85.00 |
| Student  | $36.00 |  |  | $36.00 |
| Retired/Non-Sal. | $59.00 | $2.95 | $3.00 | $62.00 |
| Corporate | $115.00 | $5.75 | $6.00 | $121.00 |
| Organizational | $115.00 | $5.75 | $6.00 | $121.00 |

**Programs & Initiatives**

WebCE: PLA began presenting its free and fee-based webinars via ALA’s consolidated eLearning platform in FY21Q4. This e-learning platform is maintained by ALA’s new Continuing Education Unit which coordinates eLearning activities under a uniform pricing structure across the association. With only two quarters of revenue generation, PLA is still tracking content and pricing appeal to members. We have budgeted FY24 WebCE based on revenue goals, member needs and staff capacity. Strong competition within and outside ALA for public library professional development dollars will continue. PLA will continue to collaborate with the CE unit on bundled sales to state libraries and will advance these efforts in FY24.

Advertising revenue: Following low ad sales and sponsorships during the pandemic, in FY23, PLA contracted with new advertising sales rep and is undertaking an audit of opportunities for ad sales and sponsorships, as well as developing a fundraising plan that includes sponsorship level analysis. FY23 ad revenue for *Public Libraries* magazine is up and we have budgeted accordingly to set sales goals while exploring other assets for sponsorship such as podcasts and webinars.

Professional development: PLA will build on existing and create new professional development opportunities for the membership. This work comprises conversion to digital from in-person models. PLA will continue to explore how to scale successful programs for maximum benefit.

Data platforms: Project Outcome and the Benchmark platform will both be pursuing revenue generation goals for FY24, with development budgeted in the Gates Legacy Grant fund.

**Operations**

Staffing: In FY24 there are no plans to add additional staff because there are plans to hire in FY23.

* ALA has assumed a 3% raise in FY24, so PLA staff costs will correspond. Benefits (health care costs) are anticipated to remain at 33%.
* Half of the PLA staff salaries are grant supported.

**Grants**

Grant funding and partnerships will be sought where appropriate and aligned with association strategic goals. These are both areas of growth and success for PLA. We have seen a dramatic increase in partnership outreach over the past year, particularly related to digital literacy and broadband access. Much of this money is programmatic pass through, although we are able to underwrite portions of staff salaries and contribute to ALA overhead.

PLA is actively managing several grants, totaling over $1.2 million in revenue. The Gates Foundation Legacy Grant continues to be our largest grant; Our Gates Legacy Grant has been budgeted approximately $1 million for FY23. We anticipate tapping approximately $900,000 from that fund in FY24 year to support data and research platforms, strategic goals and leadership development. We have also received significant funds from AT&T to support and expand free use of PLA’s Digital Learn resources.

The budgeting system does give PLA the ability to budget for grants which are not confirmed, however PLA has only used this feature when a new grant is close to execution and has not used it to set goals/targets.

ALA is developing policy and practice regarding minimum overhead rates for grant funded projects, with a sought minimum rate of 18% going forward. The PLA Executive Director is involved in drafting the policy and practice. The FY24 budget includes only grant funds confirmed for the fiscal year.

**ALA structure**

The Operating Agreement Work Group recommendations submitted in June 2022 are now being explored by the Operating Agreement Implementation Task Force. The outcome of the budgeting models and processes moved forward by this group could have major impact on ALA and PLA relationship. The timing of these changes remains unclear, as does the budgeting model that will be adopted. This will not impact FY24 planning, however PLA will continue to engage with and monitor this work and its implications for PLA and the divisions.

**ALA finances**

The ALA general fund (publishing, conferences, programmatic (e.g., OIF, ODLOS, Chapters) and support units (IT, HR, finance)—essentially everything except the strong revenue generating divisions, grants, contributive revenue and the endowment) continue to struggle financially. While ALA staff numbers are on the upswing, significant departures and staff vacancies continue with lengthy job posting delays. ALA has moved from a “hiring freeze” to “strategic hiring.” In more proactive measures, ALA has secured “forgiveness” of federal relief funding loans, secured a loan from the ALA endowment, and has successfully pursued large grants that include general operating funds. ALA has a “one checkbook” mindset and continues to draw financial support from divisions, particularly strong revenue generators with (on paper) fund balances like PLA.

* PLA’s requested to transfer $350,000 of its fund balance to the endowment during FY22, FY23 and FY24. ALA suspended Endowment Fund transfers from Round Table and Division operating net asset balances to the ALA Endowment Fund for FY2022 and FY 2023. The suspension of transfers will continue for FY24.
* ALA continues to mandate expense reductions by divisions to balance the overall organizational budget, whenever possible.
* The PLA B&F Committee and the Board will want to consider its recommendation to the PLA Board on where to earmark the Long-Term Investment (LTI) interest. In previous years it has been allocated to family engagement, performance measurement and digital literacy. In past years the LTI interest has been rolled back into the endowment. The estimated amount of the interest should be in the $55,000-70,000 range. In FY23 ALA mandated that division LTI interest be brought into divisional operating budgets in order to support the ALA bottom line. ALA budget actions will be distributed to divisions in spring following the submission of first draft budgets. A final recommendation on LTI will not be required till June 2023.
* As is usually the case, PLA does not have an exact picture of its FY22 ending fund balance until the FY22 audit is complete.
* Changes to ALA accounting practice require that all conference expenses be recorded the FY/Month when the conference takes place. PLA does not yet know how this will be reflected in the FY23 financial reports from ALA, since we have already paid for some conference expense. We are monitoring the situation.
* ALA has transitioned to quarterly financial reporting. Delivery of financials is improving, and we anticipate that we should have FY23Q2 financials to inform budgeting before the final draft is submitted in May 2023 to inform forecasting**.**

**Summary**

PLA’s net revenue is budgeted for significantly less than in previous conference years. I’ve used a conservative approach for this draft, with 2022 conference revenues and a combination of 2022 conference expenses and current expenses. With rising travel costs, municipal and industry budget cuts, and ongoing inflationary conditions, it is too early to predict whether PLA 2024 will attract more registrants and vendors. Catering, labor, AV and technology costs – estimates and contracts have risen significantly.

On the operations side, PLA has added staff at market compensation rates. In FY23 ALA also approved a 4% pay increase for eligible staff, 1% higher than budgeted. With the addition of staff, and increased capacity PLA has relied less on consultants, promoted from within and realigned work-flow.