

TO: PLA Board of Directors
FROM: Mary Davis Fournier, Executive Director
RE: FY 2025 Budget Assumptions and Process
DATE: February 15, 2024

Below are considerations for the first draft of the FY2025 (September 1, 2024-August 31, 2025) PLA budget. This budget can be reviewed one more time if any changes need to be made in May 2024 before the ALA budget is approved by the Executive Board in June 2024.

Overall:

- The budget will reflect PLA's strategic plan.
- PLA's budgeting will be informed by ALA's budget strategy. In January 2024, the ALA Council approved the following budget objectives for FY25 (EBD/BARC#3.13, EBD #3.12):
 - Neutral revenue/expense budget.
 - Monitor new revenue sources.
 - Rebuild membership base.
 - Focus on financial stability and growth.
 - Implementation and assessment of budget metrics.
- ALA plans a 3% staff salary increase in FY25, there was a 3% staff salary increase in FY24. Benefits will remain at 33%.
- ALA's FY25 budget implements a simplified ALA dues structure, consolidating eleven membership categories into four membership categories (see Table below). Revisions and possible simplification of Division dues structure are being explored by a working group in FY25.
- ALA continues the freeze of net asset balance transfers to endowments.
- Overhead will be charged at the same rate as last year, which is 26.5%.
- Additionally, ALA unit managers have been directed to keep non-salary expenses at FY23 level or lower.
- Discretionary expenditures can be reduced during the year to offset any unfavorable revenue results. ALA identified two specific expense control levers to continue to align expenses with revenue:
 - Staff New hires will be closely scrutinized
 - Travel

Conference

FY25 is a non-conference year, *year two* 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 2024 PLA National Conference will be held in April 2024. It was budgeted conservatively in terms of registration and exhibit revenues and was projected to net 565,927. It is currently on track to exceed budget.

Membership

In a non-PLA conference year, dues are PLA's primary revenue source (excluding grant funding). PLA has budgeted no dues increase in FY25 after implementing a 5% dues increase in FY24 (with the exception of student dues which were frozen at FY23 rates). The current membership dues budget is based on predicted "low" for non-conference year membership loss, and assumes a 14% loss, equivalent to FY23 (consistent with all non-conference years). The table below shows the four consolidated ALA membership types and total cost of PLA membership, per membership type.

FY25 Membership Types	ALA Dues	PLA Dues	ALA+PLA Dues
Individual Type I: Regular members	\$125	\$85	\$210
Individual Type II: Non-salaried, Retired, or international members	\$55	\$62	\$117
Supporter: Trustee, Friend, or Associate members	\$70	\$85	\$155
Student	\$40	\$36	\$76

Programs & Initiatives

WebCE: PLA's WebCE revenue has been the strongest performer among our non-conference revenue streams. FY25 WebCE revenue has been budgeted 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, leverage PLA 2024 virtual conference recordings, and will aggressively pursue all avenues FY25.

Advertising revenue: PLA continues to build its advertising client portfolio. FY25 will again increase advertising goals as we add sponsored research briefs to assets that currently include *Public Libraries* magazine, E-News, podcasts, webinars and *PLOnline*, and we have budgeted accordingly to set sales goals.

Data platforms: Project Outcome will be scaling down activities in 2024 in order to explore a transition to outcome measurement eLearning; Benchmark will continue to explore revenue generation goals for FY25, with development budgeted in the Gates Legacy Grant fund.

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, such as the Family Engagement Training; as well as refreshing and relaunching the PLA Leadership Academy. PLA will continue to explore how to scale successful programs for maximum revenue.

Operations

Staffing: In FY25 there are no plans to add additional staff positions, however, FY25 marks the first year of sustainability staffing. This means that in alignment with sustainability goals for the Gates Legacy funds, significant staff costs will be moved over to PLA's operating budget.

- PLA has 15 staff members. In FY25 9.75 staff will be covered by the operating budget, three by the Gates Legacy grant, and 2.25 by other grant projects.

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 \$2.5 million in revenue.

The Gates Foundation Legacy Grant continues to be our largest long term grant; In FY24 PLA is undertaking a sustainability assessment to extend the Gates Legacy funding as long as is strategically beneficial to PLA. The FY25 budget assumes a significant reduction in Gates Legacy spending, at approximately \$520,000. We also anticipate receiving significant funds from AT&T and Google to support and expand free use of PLA's Digital Learn and broadband resources to the field.

The budgeting system does give PLA the ability to budget for grants which are not confirmed, and in FY25 PLA is budgeting approximately \$200K in proposed but yet-to-be-confirmed grants in order to achieve its goals.

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.

Friends of PLA Fund

FY25 will be the first year that PLA will budget expenditures in the Friends of PLA Fund, with \$50K in proposed content development for a reboot of PLA's Leadership Academy. The practice of requesting a Friends donation to support scholarships and programmatic priorities of the board from all non-federal grant funders of 10% of the program budget value will continue. At this point in time, we anticipate that these funds will carry over for multiple fiscal years.

ALA structure

The Operating Agreement Work Group recommendations submitted in June 2022 were turned over to the Operating Agreement Implementation Task Force in 2023. In Fall 2023, the Task Force was dissolved and the timeline for resolution and implementation was extended to FY26. The outcome of this work, currently led by the ALA CFO and Treasurer in consultation with staff stakeholders may have major impact on ALA and PLA relationship. The current timeline requires resolution of the budgeting model by June 2024, although process aspects have not yet been addressed. 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, and the endowment— continue to struggle financially. The departure of the ALA Executive Director has resulted in a dip in fundraising, and while ALA staff numbers are on the upswing, significant departures and staff vacancies continue with lengthy job posting delays.

ALA continues to pursue “strategic hiring,” including its national search for a new executive director by FY24Q4. 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 and received approval to transfer \$350,000 of its fund balance to the endowment during FY22, FY23 and FY24. However, ALA suspended Endowment Fund transfers from Round Table and Division operating net asset balances to the ALA Endowment Fund for FY22, FY23, and FY24. We expect this will continue in FY25.
- 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 interest should be in the \$55,000-70,000 range. In FY24 the interest was budgeted to roll back into the endowment. 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 May 2024.
- Although a preliminary picture of PLA’s FY23 fund balance is available, the final FY23 performance will not be available until the audit is complete. It will be presented to the ALA Executive Board at the 2024 spring board meeting.
- Changes to ALA accounting practice require that all conference revenue and expenses be recorded in the FY/Month when the conference takes place. PLA is working with ALA finance to monitor conference revenues and expenses.
- ALA has transitioned to quarterly financial reporting. Delivery of operating budget financials has greatly improved, and we anticipate that we should have FY24Q2 financials to inform budgeting before the final draft is submitted in May 2024.
- ALA continues to refine its grant reporting capabilities. PLA is working closely with the ALA controller and compliance officer to ensure accurate and timely grant reports.

Summary

FY25 is a transition year for PLA with two financial goals:

1. Take the first step in sustainability budgeting for Gates Legacy funds with expenses capped at \$520K.
2. Maintain PLA’s best practice of budgeting in the black over its two-year cycle: Year One’s surplus must, at minimum, cover year two’s expenses.

The anticipated FY25 budget achieves both those goals, while aggressively moving to develop non-conference revenue and expanding grant funding.

I’ve budgeted revenue according to current trend data and expenses as conservatively as possible for FY25. Although registration, and therefore revenue for PLA’s 2024 National Conference are strong, it is difficult to anticipate the impact

of unanticipated expenses (security, crisis comms). I am confident that we will make our FY24 budget, but it is too early to know whether we will exceed it.

On the operations side, I continue to explore ways to realign workflow to maximize revenue generation and match current needs. Increased capacity has enabled PLA to rely less on consultants and promote from within.