TO: PLA Budget & Finance Committee

FROM: Barb Macikas, Executive Director

RE: FY 2021 Budget Assumptions and Process

DATE: February 7, 2020

The deep uncertainty within ALA related to SCOE and division operating agreement negotiations and ALA’s precarious finances challenge our ability to plan. Since Midwinter, ALA division staff have been told to budget “normally” for FY21 and to use comparable years budgets as guides. Staff were told that for new initiatives, we will need to “talk to” ALA so that the cash flow can accommodate expenditures. Below are our assumptions.

## FY21 PLA Budget Assumptions and Considerations

1. The PLA FY2021 budget will reflect the strategic plan.
2. PLA will start FY21 with a fund balance on paper of $3.6M, based on FY20 budget.
3. FY21 is a non-conference, “spend-down” year for PLA.
4. *Membership dues*. In a non-PLA conference year, dues are PLA’s primary revenue source (excluding grant funding). We’ll budget dues based on the latest FY20 numbers and on trend data, with the minimum budget based on actual FY19 dues--$548,450. While dues revenue is a potential growth area, the ability to retain members and to increase membership is challenged by multiple factors. Member engagement is critical to renewals, and the ability to keep members engaged is challenged by technology (done primarily through ALA Connect, which ALA is trying to make user-friendly, consistent across the association, and impactful to member engagement) but also by the need for increased focus by PLA staff and member leaders, for instance to implement strategies to follow up with regional training attendees to convert them to members. Implementation of our primary retention concept – a “drip” campaign to educate new members about all of PLA’s benefits, ideally inspiring them to renew – has been in the process of automation with ALA IT for over two years without progress. That technical limitation has discouraged PLA from attempting additional retention and recruitment ideas. Additional challenges include staff time (primary staff oversees marketing *and* membership, and growth in projects has required a primary focus on marketing), and lack of member-led efforts (the Membership Advisory Group has not been very active). PLA has met recently with the new ALA membership director and is discussing how to implement some new strategies.
5. *Professional development*
   1. *Regional trainings*: PLA will budget for regional trainings, potentially related to leadership, EDISJ, space planning, family engagement, and outcome measurement with an emphasis on high quality, sustainable continuing education. Per calendar year, PLA held 7 regional trainings in 2019 and is anticipating about 12 in 2020. For 2021, we will try to at least maintain that number. To date, the regional trainings have been profitable for ALA, but after overhead contributions and registration service fees, PLA experiences modest losses on each event ($1,000-3,000). We will seek partnerships and sponsorships wherever possible to keep registration fees competitive and try to reverse the net loss situation for PLA.
   2. *Webinars*. After years of only offering free webinars, PLA has found new success in charging for webinars with careful curation of webinar content and competitive pricing. In FY19, PLA netted $18,670 from webinars and they continue to be strong this year. This is a much better performance than we have seen in years past and we will budget accordingly in FY21.
   3. *Potential for a national education event in non-PLA conference year*. The board’s feedback is requested concerning the potential to remount the PLA Spring Symposium, or a comparable event, in 2021. Does the success of our expanded educational portfolio noted above suggest there is a hunger for more PLA content, or will adding a major new event increase competition? Will changes to the ALA Midwinter Meeting attract more public librarians, or will public librarians be seeking another opportunity to convene? Could a new event continue to promote and “build out” the professional development theory of change, or is that best done via other strategies? Does the substantial rejection rate for the PLA conference (over 80% of proposals are rejected) suggest that PLA should add additional opportunities for members-at-large to propose and present? What would be the financial and staffing impact of mounting a new event? PLA has not held a “spring symposium-type” event since 2009. (In 2011 and 2013, PLA held the event virtually.) In 2009, the event was held in Nashville and brought in $122,500 in revenue; expenses of $97,000; ALA overhead at $30,000 and net to PLA of -$4,000. Total registration in 2009 was 540; previous years registration ran as high as 900 attendees.
   4. *Other professional development*. In 2020, PLA is piloting a new virtual classroom series on family engagement, using a combination of facilitated online meetings (similar to webinars but with more interactivity) and dedicated space in ALA Connect for continuous sharing and learning. We are charging a member rate of $550 per library for the 7-month initiative, with a cap of 30 libraries, for total revenue of about $16,500. Not including staff time (which is significant), expenses are modest, consisting of some instruction design consulting and a small stipend to a member leader for lead facilitation. In FY21, PLA will budget to repeat this program 1-2 times, and if it’s successful in 2020, which will be known before the close of the FY21 budgeting process, PLA might budget to do similar programs on other topics. PLA is also developing a new strategic planning initiative which will be included in the budget.
6. *Advertising revenue and sponsorships*. These revenue sources continue to be challenging. We will budget revenue in line with FY19 and FY20.
7. *Fundraising and grants*
   1. *Legacy grant*. Just over half of PLA’s staff positions have been supported through Gates grants since about 2015. As of FY20, PLA will have spent down the 2017 General Operating grant of $2.9 million. Therefore in FY21, PLA will budget staff and other project expenses under the Legacy Grant. Once figures are input, this should equal $1-$1.2 million of the $8.5 million left in the Legacy grant, with 75% of that amount covering salary, benefits and overhead.
   2. *Project grants*. Grant funding will be sought where appropriate and aligned with association strategic goals.
      1. *Inclusive Internship Initiative*: For FY21, PLA is committed to budgeting for the balance of the 4th cohort for the Inclusive Internship Program cost-share, approximately $140,000. With IMLS funding, it has cost a total of $640,000/cohort, and staff and leadership want to continue the program for a 5th cohort. Continued funding has not been discussed with IMLS but seems unlikely. PLA will budget $200,000 (roughly PLA’s cost share for each cohort) to be spent from our fund balance for FY21 as a starting point for a 5th cohort. We will seek external funding to make up the difference, while also considering program modifications to sustain the program at a lower cost.
      2. *Other project grants:* PLA will budget about $110,000 anticipating a 3rd cycle of the health insurance promotion grant. Before the close of the FY21 budgeting process, PLA will know status of two proposals in process ($100,000 requests for family engagement projects with both IMLS and the National Science Foundation) and will budget for those if funded. PLA will not budget any other grants, given that current projects (Microsoft, Google) will end before FY21 and no other prospects are being pursued.
   3. *Individual giving*. Over the last year and half, PLA launched a new individual giving effort that has brought in over $37,000. These funds are tracked separately by staff so their usage, for instance for 75th anniversary scholarships to PLA 2020 (15 scholarships @ $500/plus free registration) and toward two Emerging Leader scholarships ($2000) can be accounted for. With these scholarships subtracted, the balance is $27,500. As currently managed, donations are rolled into PLA’s fund balance. Given ALA’s use of division fund balances as cash, and their spend down of those funds, there are questions about the viability of development efforts. ALA assures staff that money earmarked for development will be retained by the divisions; however, until the operating agreement negotiations are completed, it may be prudent to pause fundraising (except for grants).
8. Consistent with previous years, ALA budget assumptions for FY21 include a 2% raise and no change in the overhead rate of 26.5% on conferences and training. About half of PLA staff salaries are grant supported.
9. On paper, PLA will continue to maintain a fund balance toward an ALA recommended goal of four or more months of reserves. For PLA, that is $800,000. (FY18 expenses totaled $3.6M; FY19 expenses totaled $1.2M; annual average=$2.4M/12=$200K/month x 4 = $800K). See [ALA Financial Handbook](http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ALA_Financial_Handbook_Final15.pdf), page 23.
10. The PLA B&F Committee will want to consider its LTI recommendation to the PLA Board. PLA B&F will recommend whether to keep or reinvest interest (approximately $55,000) and whether to move ahead with the recommendation that starting in FY22 it will move $350,000 into the LTI each year for three years. This request does not bind PLA to making the transfer and the board can revisit the question each year. ALA requires that divisions inform them, with two years notice, of plans to move more than $50,000 annually. The two-year notification gives PLA the flexibility to move funds if it is decided that is most prudent.
11. Final recommendations will not be required till June 2020.

## FY21 Budget Estimate (excluding grants)

In FY19, PLA’s budget came in at -$373,064. Given the plans for the Inclusive Internship funding and the potential for a new spring event in 2019, the deficit could be larger. With stronger continuing education revenues and possibly a new spring event, we will aim to keep the deficit as low as possible. After the Nashville conference, PLA will complete the first draft of the budget.

## ALA Budgeting Process and Timeline

PLA and ALA budgets will be reviewed internally by ALA senior management in March and by ALA BARC in April. PLA Budget & Finance Chair and Finance Officer Clara Bohrer will attend the ALA BARC meeting and report back to PLA. The PLA Budget & Finance Committee and the PLA Board will receive the revised budget in May and PLA Budget & Finance will have time to review the budget then, ahead of the June meeting where it must be approved by the PLA Board.