

KDLA Trustee Tip: Building the Library's Budget

A well-constructed budget is the library's backbone for continued service and growth, which is why budget planning is one of the most important tasks library trustees will tackle in the course of the year.

Why Libraries Create Budgets

Kentucky law requires that every Special Purpose Governmental Entity (SPGE) annually prepare a proposed budget that accounts for all incoming funds, including those from local, state and federal sources, and how those funds will be expended [[KRS 65.065A.080\(1\)](#)]. The budget is based on a fiscal year from July 1 through June 30, and must be a balanced budget, with budgeted expenditures not exceeding budgeted revenues. Libraries must submit their budget to the Department for Local Government (DLG) no later than 15 days after the start of the fiscal year, satisfying the requirement that this information be made public.

All Sources of Income Must Be Included

A library's income includes all sources of revenue, including tax payments, state aid from KDLA, interest bearing savings accounts and cd's, and funds generated by fines and fees. Around the third quarter of the fiscal year, libraries generally have a good idea of whether their income will be more, less or about the same as was budgeted, making this a good starting point for creating the next budget. The budget should include all the income sources mentioned above as well as accounts used for rainy day funding, funds set aside for proposed projects, and any remaining funds not spent in the past fiscal year, **even if these funds will not be expended in the coming year.**

Anticipating Expenditures

The library's previous budgets are a good place to start when developing the next budget. Reviewing the current and past budgets gives a baseline of the yearly expenses and reveals where amendments were necessary. Reviewing previous budget amendments allows for better estimates in these categories and trendspotting of major expenses that may affect the coming year's budget. Higher repair or operating expenses for bookmobiles or HVAC systems, for example, can be a sign that it's time to begin saving for or replacing these items in the coming year.

A Note on "Balanced Budgets"

Library boards and directors sometimes hit a snag when preparing the budget because the income – including any capital development investments or reserves – is higher than the expenditures. Do not neglect to report investments or savings for fear of not creating a balanced budget; balanced in this case simply means that the library spends only as much or less in a year than the income you have on hand.

Some of These Proposed Expenditures Seem High (or Low)

Trustees are often surprised by the amounts libraries budget for some line items. The [Kentucky Public Library Standards](#) is an excellent tool for determining your library's baseline levels of funding for essential library services, such as: payroll, books and programming. These numbers are based on your county's population and provide the guidelines needed to build toward Enhanced and Exemplary levels of service.

This Trustee Tip is not legal advice. If you feel you need legal advice, please consult an attorney.