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DATE: March 9, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS**

BILL #: HB 583

RELATING TO: Library Cooperatives

SPONSOR(S): Representative Melvin and others

COMPANION BILL(S): SB 120 (identical)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) GOVERNMENTAL OPERATIONS YEAS 4 NAYS 0
 - (2) FINANCE & TAXATION
 - (3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill requires the Division of Library and Information Services (Division) of the Department of State (Department) to issue certificates to each qualifying library cooperative.

Library cooperatives which are certificated will be exempt from sales, rental, use, consumption, distribution, and storage taxes as provided in s. 212.08, F.S.

The exemption from such taxes will be applied retroactively to July 1, 1997.

This bill provides for an effective date of upon becoming a law.

There appears to be no negative fiscal impact on local governments, and a small one, approximately \$100,000 annually, upon state government.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Subsection 257.04(2), F.S., authorizes the Division of Library and Information Services under the Department of State to give aid and assistance to libraries of all types in the development and operation of library services. The Division estimates that there are over 500 libraries of all types serving the residents of Florida. In general, each of the libraries operates independently to fill the needs of a specific clientele defined by political or economic constraints. Although the libraries hold over 25,000,000 volumes of books and periodicals, each library separately acquires and retains materials for its primary clientele.

State aid to libraries, initiated in 1961, provides aid for public libraries in four categories:

1. County libraries for operating grants to a county designated single library administrative unit for annual operating funds up to 25 percent of local expended funds, pursuant to s. 257.17, F.S.;
2. Multi-county grants for the support and extension of library service in participating counties, municipalities, or city-county consolidated governments where the library serves 50,000 residents or more or has three or more counties in the service area, pursuant to s. 257.172, F.S.;
3. Equalization grants based upon the amount of local funds expended for library service and available to counties qualifying for an operating grant, pursuant to s. 257.18, F.S.; and,
4. Establishment grants for one year only and equal to the total operating and equalization grant amounts, but not exceeding \$50,000, pursuant to s. 257.19, F.S.

The Division adopts rules and establishes operating standards for libraries receiving state funds. In 1973, the Division was authorized to administer and allocate two other types of grants:

- Construction grants on a 50 percent matching basis for public libraries, pursuant to s. 257.191, F.S.; and,
- Library program grants made in accordance with the long-range program for library services, pursuant to s. 257.192, F.S. This is mostly federal money and library eligibility depends on federal regulations. For the past several years, these grants have benefitted libraries of all types, public and private. However, most of the money goes to public facilities.

Library Cooperative Grants

The library cooperative grant program was statutorily established in 1992 by ch. 92-110, LOF, to facilitate the sharing of educational and informational library resources so that all state residents may have access to library services. The Division refers to the library cooperatives as a multi-type library cooperative. This is to differentiate these cooperatives from the multi-county libraries mentioned above and identified in s. 257.172, F.S., and eligible for up to \$500,000 in state grant funds. Multi-county libraries are considered an extension of public library service, and are generally located in designated geographic regions. Additionally, they do not have to consist of more than one type of library. In contrast, the multi-type library cooperatives must consist of more than one type. This can be any combination of academic, school, special, state institutional and public libraries. Although the county public library systems are very active in the library cooperatives, private libraries are eligible to participate in the multi-type library cooperative.

Each individual library in a cooperative shares resources with the other individual libraries in the cooperative. The cooperatives are voluntarily formed, and, while they promote and coordinate the sharing of resources, each individual library maintains its autonomy. The cooperative libraries borrow and loan materials needed by state citizens in other geographic locations. This sharing of materials and resources minimizes the need for duplication, strengthens the local library, and supplements their resources. Consequently, funding can be maximized and more resources

made available to a greater number of users. The cooperatives can provide to member libraries and users Internet service, computerized library card catalog databases, training for staff and users, and delivery of materials through fax, courier, or electronic services. Additionally, the cooperative can obtain a group discount for member libraries to purchase subscriptions for information resources at reduced rates.

To qualify for the annual grant, which can be up to \$200,000, a library cooperative must have matching funds for 10 percent of the awarded amount. Additionally, the cooperative must have an annual plan of service and expenditure, and a yearly updated five year long range plan of cooperative library resource sharing. All cooperatives receiving state money are required to file an annual operational financial report and furnish requested information to the Division of Library and Information Services.

The Division establishes the cooperatives' operating standards, rules, and eligibility guidelines for receipt of state money in Chapter 1B-5, FAC. After the Division evaluates the plans, they can recommend funding in their legislative budget request. If the Legislature fails to appropriate the entire amount for all grants, Chapter 1B-5, FAC, specifies that the appropriated amount will be prorated among the approved applicants. Additionally, the rule specifies that if the local match is "not available from local sources and not expended during the grant year," the cooperative will refund the unmatched amount of the grant to the state.

Objectives in the *1992-1997 Department of State Agency Strategic Plan* are to provide free library service to 98.5 percent of Florida residents and to provide access to 66 percent of holdings in all Florida libraries regardless of where residents lived. The multi-type library cooperatives help achieve these objectives by providing access to information held in private libraries. There are currently six Florida library cooperatives which are comprised of 243 public, university, community college, school, private, academic and special libraries. According to Florida Library Association estimates, 94 percent of Florida residents are served through these 243 libraries.

Some of the library cooperatives existed before the statutory creation of the grant program in 1992. In fact, only one of the cooperatives was founded after this date: the Northeast Florida Library Information Network founded in 1993. The oldest cooperative in Florida is the Tampa Bay Library Consortium, founded in 1979. Five years later, in 1984, came the Southeast Florida Library Information Network, and, in another five years, in 1989, the Central Florida Library Consortium formed. Two years later, in 1991, two cooperatives, the Panhandle Library Access Network and the Southwest Florida Library Network were founded. The following year, in 1992, the grant program was established.

B. EFFECT OF PROPOSED CHANGES:

Section 1. This bill provides that the Division will issue a certificate to each library cooperative which qualifies, by meeting the standards and rules found in s. 257.41, F.S., (in which the Division is granted rulemaking authority) to "establish operating standards and rules under which a library cooperative is eligible to receive state moneys".

Section 2. Certificated library cooperatives will enjoy the same exemption from state taxes as certain qualified nonprofit religious, charitable, scientific, and educational institutions, as enumerated in s. 212.08(7), F.S. While similar in some ways to the exempt classes, library cooperatives currently do not meet the necessary exemption criteria, and are not exempt.

Section 3. Such exempt status will be retroactively applied to July 1, 1997.

Section 4. This bill has an effective date of upon becoming a law.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No. Library cooperatives will, however, no longer be subject to state taxes imposed by s. 257.41, F.S.

b. If an agency or program is eliminated or reduced:

Not applicable.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes, to the extent that library cooperatives will have additional funds available.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

Not applicable.

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

No.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

Not applicable.

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

ss. 212.08 and 257.41, F.S.

E. SECTION-BY-SECTION ANALYSIS

See IIB EFFECT OF PROPOSED CHANGES.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Unknown, but it appears that taxes collected from library cooperatives after July 1, 1997 may be returned to such organizations.

2. Recurring Effects:

The annual impact is estimated by the Revenue Estimating Conference to be approximately \$100,000.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See 1. & 2.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

The overall negative fiscal impact seems to be fairly small, amounting to about \$100,000 per year.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds, or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

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