

BALANCING THE BOOKS

*The financial challenges facing the
Milwaukee Public Library*



WISCONSIN

POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their lengthy histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. The Wisconsin Policy Forum is committed to those same activities and to that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

The planning process that culminated in this report was undertaken to assist the Milwaukee Public Library and its Board of Trustees in identifying strategies to address growing financial challenges that may threaten their ability to sustain existing service levels. Report authors would like to thank the many individuals and organizations that participated in that process and provided us with their valuable input.

We would also like to thank the Milwaukee Public Library and the City of Milwaukee for providing the financial support that helped make this report possible.



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EXECUTIVE SUMMARY

The Milwaukee Public Library (MPL) is at a crossroads. At a time when the demand for library services is likely to grow as a result of partially shuttered schools and increased numbers of unemployed residents seeking to use library resources, MPL faces the prospect of future funding reductions from the city of Milwaukee in light of the city's own fiscal challenges.

In response, MPL's Board of Trustees created a "Financial Sustainability Task Force" to consider possible solutions. The Task Force's key findings and recommendations include the following:

- **City support has been flat.** City funding supports the bulk of MPL's total operating budget, but that funding grew by only \$686,000 (3.1%) from 2011-2019, which equates to a \$2.5 million decrease (-10%) when adjusted for inflation. In light of the need to accommodate inflationary increases in salaries and other items, MPL was forced to cut staff and reduce services during that period. The city's worsening financial prognosis makes even the prospect of flat funding somewhat dubious going forward.
- **Changes to MPL's governance and structure should be considered but are impractical for now.** Task Force members agreed that comprehensive structural changes should be considered to ensure financial sustainability for MPL, including possible creation of an independent library district with taxing authority or a countywide cultural district that would support MPL and local cultural institutions. However, they agreed that because those and other structural solutions involving new funding would require state approval, they are unlikely to be approved in the near future and should be shelved for now in light of the immediacy of MPL's challenges.
- **New partnerships and earned revenue possibilities should be pursued but would not provide meaningful long-term relief.** The Task Force also focused on actions MPL could take independently or in partnership with other local entities. Those included enhanced partnerships with Milwaukee Public Schools, other Milwaukee County libraries, or local nonprofit youth development organizations; and options to grow earned revenues like using MPL facilities to host galas and weddings. However, while these ideas were deemed to hold some promise, the Task Force agreed they would not be lucrative enough to meaningfully change MPL's fiscal paradigm.
- **Carving out a larger role for the MPL Foundation was seen as the most effective short-term approach.** The Task Force ultimately recommended that the MPL Foundation be approached to consider modifying its previous manner of support, either by increasing annual contributions or allowing its funding to support ongoing operations. Currently, Foundation monies only support extra programming or services made possible by its contributions. Task Force members acknowledged that such a request should be accompanied by a possible maintenance-of-effort financial commitment from the city and a greater say for the Foundation in MPL operations.

The recommendation to seek a re-defined public-private partnership between MPL and its foundation was justified, in part, by the argument that the "add-on" programming traditionally supported by the Foundation would be diluted if MPL is forced to close branches or reduce hours. However, Task Force members underscored that such an enhanced partnership should be viewed not as a comprehensive solution, but as a "life preserver" that would buy some time before significant service reductions again may need to be contemplated.



INTRODUCTION

Despite vast technological changes in recent years that have transformed the manner in which citizens seek and digest information, the Milwaukee Public Library (MPL) has continued to play a critical role in providing citizens with free access to knowledge, enhancing school readiness for Milwaukee children, and promoting literacy for both children and adults. In fact, according to MPL, its libraries received more than 1.8 million visitors in 2018; circulated more than 1.4 million books, electronic books, and audio books; and served more than 25,000 youth in its summer reading program.

Yet, notwithstanding the importance of Milwaukee's public libraries in the city's social and education landscape, and even before the COVID-19 pandemic, the library system faced a set of daunting challenges. As a result of the city's overall fierce budget difficulties, library staffing and hours have been reduced in recent years, with the prospect for more substantial reductions looming even before the pandemic further damaged the city's finances. Meanwhile, MPL's ability to invest in technology and workforce to keep pace with the changes in information access and consumption has been sharply limited by its fiscal constraints.

The Wisconsin Policy Forum (WPF) was commissioned by the MPL Board of Trustees to facilitate a series of planning sessions by a Board-appointed "Financial Sustainability Task Force" that was created to grapple with these growing challenges. Specifically, the Task Force's objective was to produce recommendations for strategies MPL might employ to secure the financial resources it requires and/or possible changes to operations that would allow it to achieve its mission in the future.

The Task Force met on five separate occasions between late January and September 2020. Two in-person meetings were held prior to the pandemic with the remaining three held virtually. A list of Task Force members can be found in **Appendix I**.

Task Force deliberations initially focused on long-term structural changes to MPL financing and governance that could not be pursued by the city independently, but instead would require action or approval by another level of government. Those discussions were informed by Forum research on financial and structural models from other parts of the country.

Ultimately, the Task Force decided that while such longer-term, comprehensive changes may be desirable, the immediacy of MPL's challenges demanded consideration of a series of shorter-term responses that might be effectuated by MPL and the city on their own. The last three meetings focused primarily on consideration and review of such potential solutions.

This report summarizes the deliberations of MPL's Financial Sustainability Task Force and lays out the strategies and next steps it is recommending to address MPL's financial future. We hope it lays the groundwork for a series of actions to shore up the Library's financial condition and ensure that it remains a fully accessible and viable resource for the hundreds of thousands of Milwaukee residents who use it and rely upon it.



BACKGROUND

Milwaukee Public Library is the largest public library in Wisconsin, with its 12 branches and various education, outreach, and express library services serving a population of nearly 600,000 city residents. It is one of 15 libraries in the Milwaukee County Federated Library System (MCFLS), which also includes the suburban communities within Milwaukee County.

A February 2020 Wisconsin Policy Forum report on the state's libraries, [By the Book](#), noted that "traditional" library usage metrics – such as visits and circulation – have declined at MPL and throughout Wisconsin since peaking during the economic recession of the late 2000s. However, new metrics such as e-content usage, use of WiFi, and program attendance have shown steady increases, indicating that library usage is evolving and not necessarily in decline. The report also found that people of color and those with lower incomes have particular reliance on libraries.

Value of Public Libraries

One way to measure the value of MPL to the greater Milwaukee community is to consider its economic impacts. A body of national research attempts to analyze the costs and benefits of libraries. For example, the Institute of Museum and Library Services conducted a [study](#) for the Minnesota Department of Education in 2011 that found Minnesota's public libraries provided a return on investment (ROI) of about \$4.62 for every dollar invested by state and local governments. Major benefits cited by this study included economic value from library programs, public computers, and general circulation. It also pointed to several other national studies that found ROIs of public libraries ranging from \$2.38 to \$6.54, with a median of \$4.14.

Another [study](#), conducted by NorthStar Economics, Inc. in 2008, looked specifically at the state of Wisconsin. While public libraries directly employed over 3,000 individuals in the state, the study found another 3,000+ jobs were created indirectly by libraries, mainly through capital projects. Ultimately, researchers noted that the economic contribution of libraries in Wisconsin totaled more than \$725 million, for an ROI of \$4.06.¹

Public input is another important way to measure the value of public libraries. The Marquette Law School Poll asked state residents a slate of questions in both 2015 and 2017 that shed light on how Wisconsinites use and value their libraries. In the 2017 poll, 58% of survey respondents said they had been to a public library in the previous year. Data from both surveys revealed that low-income individuals and people of color were more likely to use library services, suggesting that the library can play an important role in creating a more equitable educational environment in the state.

Previous Wisconsin Policy Forum [research](#) found that library usage in Wisconsin peaked during the Great Recession, and national literature reinforces the idea that libraries play an important role during economic downturns. With a staggering economic picture created by the COVID-19 pandemic, this may suggest that Wisconsin's public libraries – including MPL – will be of particular value to the state in the coming years, even though many of their doors were forced to temporarily close in recent months.

¹ According to MPL, the Institute of Museum and Library Services recently commissioned a new study on the impact of libraries and museums on the well-being of communities. MPL was selected as one of 12 public libraries to be included in the study, which will be released early in 2021.



MPL FINANCES

As MPL looks to the future, it faces the likelihood of budget allocations that fail to meet its cost to continue as the city of Milwaukee struggles to meet its many fiscal challenges under a heavily restrained revenue structure that is largely defined by the state of Wisconsin. Growing public safety costs (which currently consume over 50% of the general budget), a growing backlog of capital projects, and diminished reserves are additional key challenges. However, overshadowing all of them is a projected increase in the annual employer pension contribution in 2023 that could approach \$80 million and that is already requiring sizable additional annual contributions to the city's pension reserve.²

Revenues and Expenditures

MPL's 2019 budget included just under \$23 million for operations from an appropriation by the city of Milwaukee and an additional \$2.2 million in city appropriations for capital projects. Expenditures and revenues that do not involve city resources – such as those associated with MPL Foundation contributions and grants – are not included in these totals. As shown in **Chart 1**, the \$23 million city appropriation was MPL's largest source of revenue and comprised 70% of its total operating revenues. MPL comprised 4% of the city of Milwaukee budget in 2019.

Contributions from the independent MPL Foundation were another notable item, representing 6% of total

Modernizing MPL's Branch Libraries

Readers of this report may wonder how MPL has been able to open new branch libraries in recent years despite its severe financial challenges. Over the last decade, MPL has replaced four of its 12 branch libraries as part of new mixed-use developments while also renovating a fifth.

The answer is that these projects have been supported through the city's capital budget, which is distinct from its operating budget and relies mostly on funding from bonding rather than property taxes and fees. The city has been able to fit these projects into its overall capital improvements plan, which has made them possible despite MPL's operating budget woes.

MPL's redevelopment strategy aims to exchange buildings slated for replacement with modern, technologically advanced facilities that better meet community needs while adding value to the city's tax base (by including apartments as part of mixed-use developments) and reducing the library's construction and operating costs.

The five new or renovated branches include larger community rooms along with more flexible space, new technology, and other modern features. They were less costly to build than new, stand-alone libraries and are energy efficient and designed to be able to function with reduced staff, which makes them less costly to operate.

Following positive responses to the new Villard Square and East branches, MPL and the city developed a plan in 2014 to replace the outdated Forest Home, Mill Road, Capitol Drive, and Martin Luther King branches in a similar manner and to renovate Tippecanoe. The city committed \$22.5 million to those projects in capital budgets. Plans to redevelop the Martin Luther King and Capitol branches have been delayed, but MPL plans to begin work on a new King branch in 2020 or 2021 and Capitol branch as soon as possible.

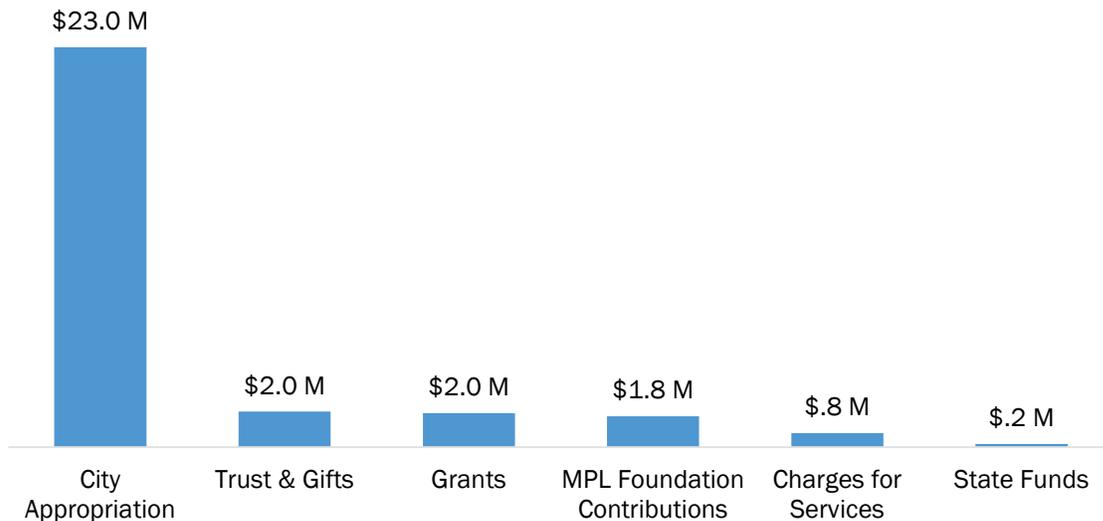
If MPL's fiscal challenges require it to eliminate one or more branch libraries in the future, these five branches likely would not be considered because the city so recently invested in them and they are the newest, most modern library facilities in Milwaukee.

² A more detailed description of the city's fiscal challenges can be found in our [2021 City of Milwaukee Budget Brief](#).



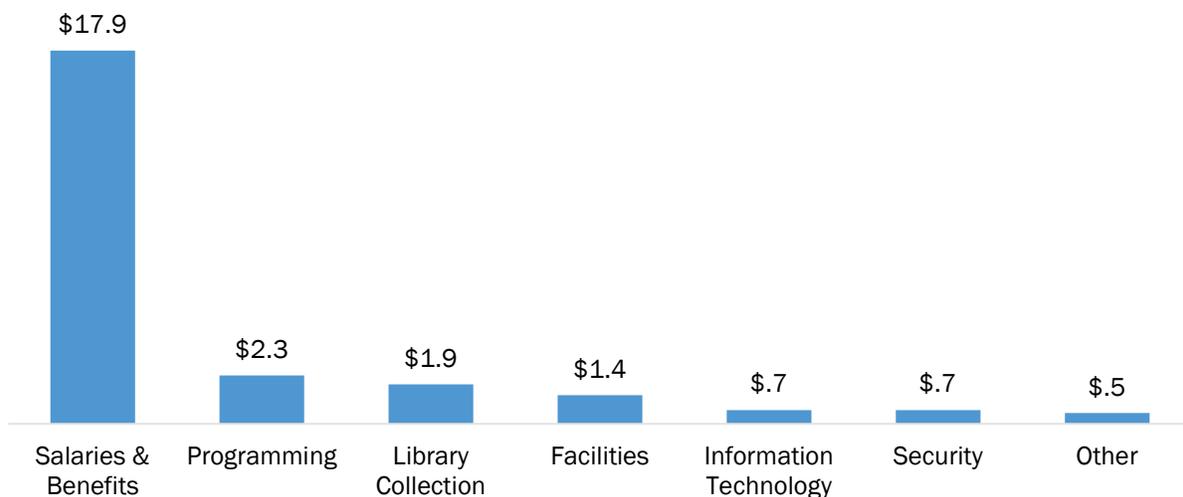
operating revenues. Those contributions may only be used to supplement existing programming and not for MPL’s general operations (such as staff, collections, etc.). Also, the \$2.0 million for Trust & Gifts includes a non-recurring \$1.3 million gift and is not a typical amount; and the Charges for Services are generated by MPL but are transferred to the city’s general fund.

Chart 1: 2019 MPL operating revenues (in millions)³



Total MPL operating expenditures in 2019 were \$25.3 million, which drew from all revenue sources shown in **Chart 1**. As shown in **Chart 2**, salaries and benefits were 71% (\$17.9 million) of the total, followed by programming at \$2.3 million (9%) and spending on maintaining the library’s collection of books and other materials at \$1.9 million (7%).

Chart 2: 2019 MPL operating expenditures (in millions)



³ The source for this chart and all others in this report unless otherwise noted is city of Milwaukee budget documents or financial information provided directly by MPL. Also, we use 2019 as our latest year for financial analysis because that is the latest year for which complete fiscal data were available to us when this project was initiated.

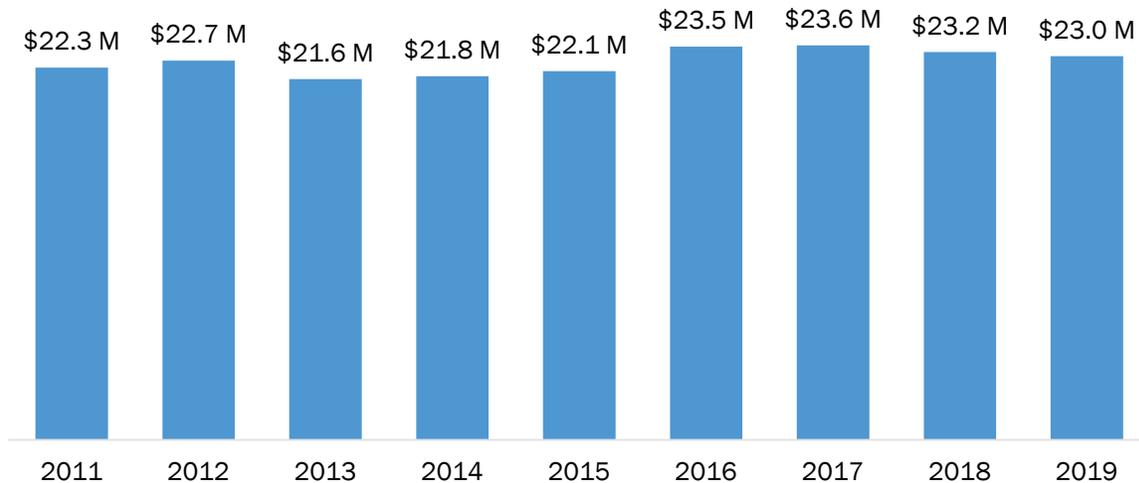


That same year saw \$2.2 million appropriated for capital improvements, including \$1.4 million in support of new facilities for the Capitol and Martin Luther King branches. Capital projects are financed separately from operating costs – largely through general obligation debt financing – and are therefore not considered in our analysis of MPL’s long-term structural challenges.

Budget Trends and Future Projections

The city portion of MPL’s total operating budget has been largely flat over the past decade, as shown in **Chart 3**. Over the 2011-2019 timespan, city appropriations for MPL budget grew by only \$686,000 (3.1%), which equates to a \$2.5 million decrease (-10%) when adjusted for inflation. MPL officials also provided data going back to 2000 that show a similar trend for the previous decade; MPL’s budget decreased by about \$540,000 from 2000 to 2010, which equates to a \$4.8 million decrease (-23%) when accounting for inflation.

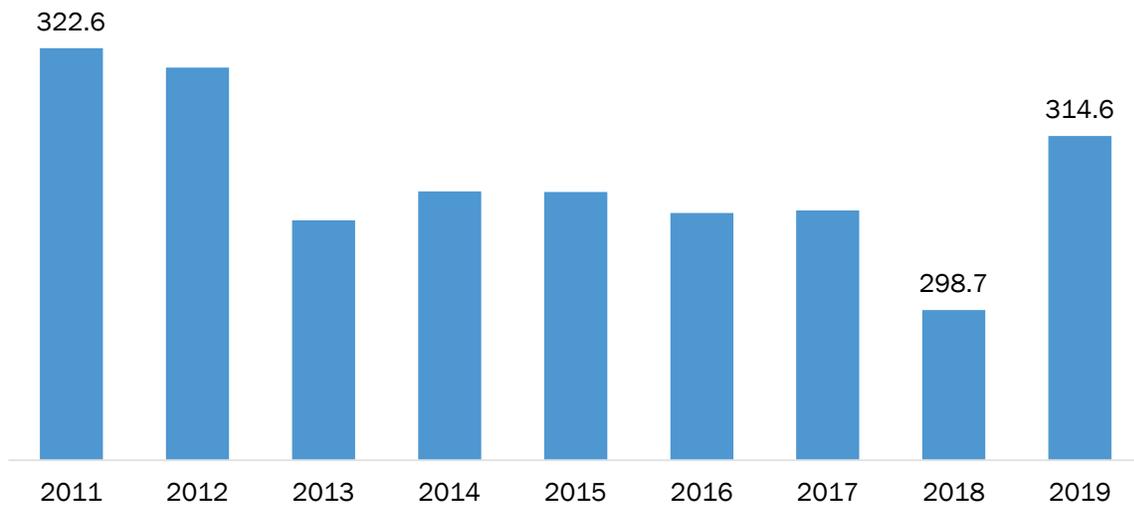
Chart 3: MPL operating budget funded via city appropriations, 2011-2019 (in millions)



In light of the need to accommodate inflationary increases in salaries and other items, the flat operating budget appropriation required MPL to consider adjustments in its workforce, which led to service reductions including fewer open hours. In 2011, MPL had 322.6 full-time equivalent (FTE) employees, which dropped to a low of 298.7 in 2018 before rising to 314.6 in 2019 (**Chart 4**). Library hours did not suffer over the full period, however, showing an overall upward trend from 2011-2019, though some years saw a decrease.

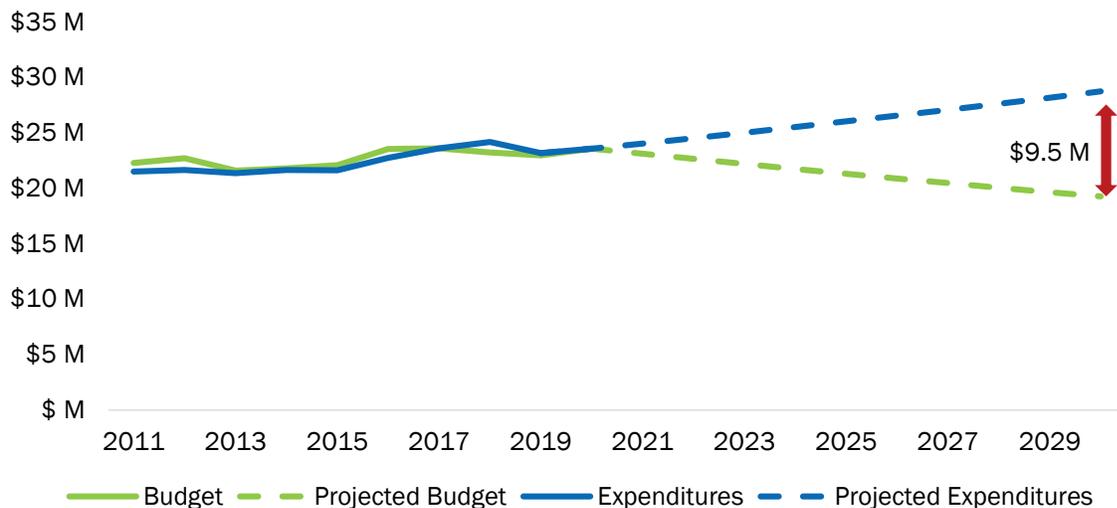


Chart 4: MPL FTEs, 2011-2019



While the city at least maintained level appropriations for MPL over this period, that may not be possible in the future given the city’s skyrocketing pension obligation and overall fiscal challenges.⁴ To contextualize the impacts of possible annual reductions in city funding without replacement by other revenue streams, **Chart 5** shows a hypothetical scenario in which MPL’s city appropriation declines by 2% annually while its cost-to-continue expenditure needs increase by 2% annually. Under such a scenario, MPL would face a \$9.5 million gap between city appropriations and cost-to-continue needs by 2030. The outcome likely would be reduced hours, branch closures, or both.

Chart 5: Projected budget gap by 2030 (in millions)



Finally, while it is not yet possible to determine what actions MPL might need to take to respond to future reductions in city appropriations, a glance into the way it has previously reacted to annual

⁴ Research for this report was completed prior to deliberations on the city’s 2021 budget, which was adopted in November 2020. The 2021 budget does not include a reduction in MPL appropriations when compared to the 2020 budget, but the city appropriation falls short of the amount requested by MPL to meet its “cost to continue.” If the annual 2% reductions in MPL’s appropriation shown in **Chart 5** were instead to begin in 2022, the gap by 2029 would still be sizable at \$8.5 million.



budget appropriations that have failed to meet its ongoing costs may give some indication. While MPL leaders have averted branch closures, they have been forced to implement reductions in library hours and services several times during the past decade (although, as noted above, in healthy budget years some hours and services have been restored). **Table 1** summarizes the most significant annual service reductions that have occurred since 2009.

Table 1: Milwaukee Public Library service reductions, 2009-2019

Year	Budget Allocation	% Budget Reduction	Major Service Changes
2009	21,811,023	-2.87%	Wednesday evening hours cut at Central Library and media room circulation desk closed
2010	20,133,502	-7.69%	Cuts in Thursday evening hours at branches and daily subject room hours at Central Library
2013	21,593,610	-4.87%	Monday morning reference services eliminated at branches and Monday morning hours cut at Central Library
2018	23,206,425	-1.67%	Temporary service reductions at Mill Road branch
2019	22,951,785	-1.10%	Planning begins for reduced number of service points at Central Library for 2020 and 2021

Source: MPL

Peer Cities

While it is impossible (or would be very subjective) to determine an “appropriate” amount of library spending in Milwaukee, **Table 21** shows eight peer city libraries throughout the U.S. that serve populations that are similar demographically to Milwaukee. Our purpose is to provide context regarding the size of their annual budgets and where and how they derive their public funding. The average annual operating budget for the eight peer cities was \$29.8 million, or about \$4.5 million more than MPL’s operating budget that year.

Table 2: Milwaukee and peer cities

City	2019 Population Estimates	Median Household Income, 2014-2018	Library Operating Budget	Primary Funding Source for Library
Milwaukee, WI	590,157	\$40,036	\$25.3 million	Municipal appropriation
Kansas City, MO	495,327	\$52,405	\$22.6 million	Municipal appropriation
Charlotte, NC	885,708	\$60,886	\$41.6 million	County appropriation
Raleigh, NC	474,069	\$63,891	\$28.4 million*	County appropriation
Omaha, NE	478,192	\$56,780	\$16.0 million	Municipal appropriation
Cleveland, OH	381,009	\$29,008	\$72.3 million*	Public Library Fund & dedicated property tax
Columbus, OH	898,553	\$51,612	\$69.0 million	Public Library Fund & dedicated property tax
Oklahoma City, OK	655,057	\$54,034	\$37.0 million	Dedicated property tax
Memphis, TN	651,073	\$39,108	\$22.0 million	Municipal appropriation

Source: U.S. Census Bureau (Population and Income), budget reports from individual libraries (Spending and Funding Source)

*Includes both operating and capital expenditures



Like MPL, many of the peer city libraries shown in the table rely on appropriations from the local governments that administer them (either a municipality or county) for most of their revenue. However, the Oklahoma City Public Library is granted the ability to levy its own dedicated property tax, and the state of Ohio utilizes a segregated “Public Library Fund” to provide a consistent revenue stream to libraries throughout that state, which complements municipal revenue.

Because peer library spending provides only limited context with which to assess MPL’s annual operating budget, we also calculated what MPL’s 2019 budget amount would have been had it simply grown at the rate of inflation since 2000. Had such growth occurred, then the 2019 operating budget would have totaled \$31.1 million, or \$5.8 million more than the actual budgeted amount.



POTENTIAL PATHS FORWARD

The Task Force's deliberations began in January 2020 before the onset of the COVID-19 pandemic, which exacerbated the city's financial challenges and created even greater urgency for MPL to plan for a fiscal future that may need to involve less reliance on city appropriations. In light of the uncertainty surrounding the city of Milwaukee's finances and the broader impacts of COVID-19 on MPL, the Task Force considered a variety of possible solutions, which can be broken down into two categories.

The first category is "Long-Term Solutions" that ultimately would require action by other levels of government besides the city of Milwaukee or by private entities. Most would involve a fundamental change in MPL's financing or governance. The second category involves decisions that MPL or city government could make on their own and begin to implement relatively quickly. These "Short-Term Solutions" include smaller structural shifts to MPL's business model, collaborations with community partners, and earned revenue opportunities.

Long-Term Solutions

Public-Private Model

In recent decades, as concerns over public sector finances and service capacity have grown, many local governments have contracted out certain services to private entities. According to a 2007 [survey](#) by the International City/County Management Association (ICMA), private for-profit organizations delivered many popular services at the local level, including vehicle towing and storage (65.4% of governments surveyed), commercial solid waste collection (56.2%), legal services (51.9%), and electric utility operating and management (47.8%). Out of 67 functions surveyed, however, libraries ranked fourth-lowest (1.4%) in the share of governments contracting services out to private for-profit organizations, ahead of only crime prevention/patrol (0.5%), fire prevention/suppression (0.8%), and police/fire communications (1.1%).

The concept of a public library operated by a private, for-profit organization is relatively new. According to a 2012 American Library Association (ALA) [publication](#), "the trend of privatizing public libraries started in 1997, when California's Riverside County Library System contracted with LSSI [Library Systems & Services, LLC]." The book notes that LSSI – now known as LS&S – was at the time the only organization to provide private, for-profit management services for public libraries. We are not aware of another organization that does so today.

Currently, MPL operations – and the operations of all Wisconsin libraries to our knowledge – remain squarely in the public sector. In the public-private model, MPL would continue to function as a department of city government, but instead of using city staff for library operations, it would contract with an organization like LS&S to manage and staff its library branches.

Potential strengths of this strategy include possible cost savings, as a private company may be able to hire and retain staff at lower pay and fringe benefit levels than the city and may be able to spend less for administrative support, like human resources and payroll. A private company like LS&S also may have greater capacity to implement new technologies that have been tested and refined at their other libraries.



The Task Force noted several concerns with this approach, however. Those include potential public opposition to the notion of a private, for-profit entity taking over management of a public library; the negative implications of paying workers less in terms of both wages and benefits; and concerns about transparency with the removal of some library decision-making removed from public view.

Independent Taxing Authority

One solution to the library's reliance on an increasingly challenged city government for the bulk of its financing would be to grant it statutory authority to levy its own tax – most likely a property or sales tax – to support its operations. According to the U.S. Census Bureau, 28 states had at least one library or library system set up as a special taxing district in 2017, with most own-source revenue coming from a property tax levy. Those districts exist in numerous Midwestern states, including Illinois, Indiana, Michigan, Minnesota and Ohio.

In practice, this strategy would mean removing MPL from the umbrella of city government and reorganizing it as its own taxing district, similar to how the state organizes certain utilities, lake districts, and sanitary districts. Some states place limits on special districts by instituting a mill rate ceiling (so the levy can grow alongside property value growth), and Wisconsin could do likewise or apply its current municipal and county levy limits, which are tied to growth in net new construction.



Libraries in Ohio, such as the Columbus Metropolitan Library, benefit from a dedicated property tax that comprises a large portion of their yearly operating revenues. Photo source: Columbus Metropolitan Library

The obvious benefit of this approach for MPL would be the creation of a dedicated and reliable major source of funding for which it would not need to compete with other city functions. Considerable precedent also exists for this type of approach; as we noted in an August 2019 [report](#), Wisconsin has more than 700 special district governments and the number grew more than tenfold from 1967 to 2017.

The main drawback is that such an approach would require a change in state statutes, and the prospects for legislative approval would be unlikely given almost certain opposition from Republican leaders in both the Wisconsin Assembly and Senate to the notion of a new form of taxation. Also, Wisconsin's comparatively high property tax burden when compared to other states and its comparably high number of governmental units would be cause for careful scrutiny of the idea of creating another new governmental entity with its own property tax levy authority.

Cultural/Special Taxing District

Shifting taxing authority from the municipality to the library is not the only way to provide a consistent, tax-based revenue stream. Certain cities have chosen to group “cultural” entities together – including libraries – to form a “Cultural Taxing District” (CTD). For example, the Allegheny Regional Asset District (RAD) – which draws its support from a 1% Allegheny County sales tax – includes Pittsburgh’s Carnegie Public Library.

Creating a district like this for MPL and other publicly-owned cultural assets would require the removal of these entities from the city and county and state legislators would need to grant the district authorization to levy either a property or sales tax. A CTD in Milwaukee might include MPL, the Milwaukee County Zoo, the Marcus Center for the Performing Arts, the Milwaukee Public Museum, and perhaps the Milwaukee County Parks.

The benefits cited above for an independent library district also would apply to a CTD. A major difference, however, is that CTDs in other metro areas tend to use sales taxes instead of property taxes. According to a July 2020 [analysis](#) from the Tax Foundation, Wisconsin’s average combined state and local sales tax rate is 5.43% – the fourth-lowest across states that have any type of sales tax and lowest in the Midwest by more than half a percentage point. Consequently, this could make a CTD a more attractive option for MPL than the option of re-creating as its own taxing district. Expanding the district to include popular attractions like the zoo and public museum might also enhance political support. On the negative side, it should be noted that sales tax collections tend to be impacted more negatively and immediately than property taxes during economic downturns, as county governments in Wisconsin have seen over the past several weeks.

Despite differences between this approach and an independent library district, the same opposition to creation of a new governmental entity with independent taxing authority likely would emerge for a CTD. In fact, previous proposals for separate parks, transit, and cultural districts for Milwaukee County services have not gained traction in the Wisconsin Legislature. Also, even bringing such a proposal before legislative leaders would require agreement by city and county leaders on which cultural and related institutions to include in the CTD, which could be a challenging endeavor.

501c(3) Nonprofit Status

While most public libraries in the United States are governmental entities, some have chosen to re-charter as 501c(3) nonprofit status after weighing the benefits and costs of doing so. Among the potential benefits are



The Milwaukee Public Museum is one Wisconsin cultural institution that has turned to nonprofit management, in part to enhance attractiveness to potential philanthropic donors. Photo source: Shepherd Express

enhanced attractiveness to philanthropic donors, who might be more inclined to donate to private charities than governmental entities; and eligibility for a wider variety of grant opportunities.

If MPL wanted to become a 501c(3) organization, it would need to leave the umbrella of the municipal government in Milwaukee and re-charter. As a result, its employees would no longer work for the city but instead would be employed by the freestanding nonprofit organization. In addition, the new organization would need to hire new staff or supplement existing staff for certain services currently provided by the city for all of its departments, like legal services and some information technology services. It is possible that these changes could produce savings for MPL in areas like fringe benefits for existing employees, but it is also possible that the need to procure certain services from the private sector could be more expensive.

A potential detriment associated with this option could be the loss of city support, as city leaders may not be as inclined to maintain or increase annual appropriations if MPL no longer functioned under city ownership and as a city department.

Few large libraries – and none of the peer city libraries cited above – operate as nonprofits, although the Youngstown (OH) Public Library is an example of a smaller library in the Midwest with 501c(3) status. A more familiar related example is the Milwaukee Public Museum (MPM), which is owned by Milwaukee County but is managed and operated by a nonprofit organization (MPM, Inc.) hired by the county. A similar option also could be considered for MPL, with pros and cons similar to those cited above in this section as well as our earlier discussion of the public-private model.

Summary of Task Force Discussion on Long-Term Options

Task Force members did not support pursuit of the public-private and nonprofit status options. Several argued that MPL is efficiently and effectively administered and operated by city employees and that little if any financial benefit would likely result from a shift to the private or nonprofit sector or from MPL's re-creation as a 501c(3) nonprofit. Members also expressed a desire to keep MPL in the public sector realm.

Conversely, creation of a dedicated revenue source for MPL received widespread support, either by granting it the authority to levy a dedicated tax as an independent district or by housing it in a larger cultural district with similar authority. However, the Task Force decided not to deliberate over the details of each option nor to recommend a preferred approach given its consensus that state approval to pursue either option was highly unlikely for the foreseeable future.

Instead, the Task Force reached consensus that it should put aside any potential options involving new funding sources that would require state approval and to instead focus on possible solutions that could be pursued independently of governmental entities outside of city government. Such consensus was reached reluctantly, however, as most members agreed that a true path to financial sustainability for MPL should include dedicated funding.

Short-Term Solutions

The last two meetings of the Task Force focused on possible opportunities to increase revenues through actions MPL could take on its own or in partnership with other governmental entities in the city or region or its own private nonprofit support organizations – the Milwaukee Public Library

Foundation and Friends of the Milwaukee Public Library. Options discussed by the group are summarized below:

- **Partner with Milwaukee Public Schools (MPS).** Libraries throughout the country have collaborated with contiguous school districts, with partnerships ranging from collaborative programming to joint governance. New York’s [“School District Public Libraries”](#) are one example of joint governance, though in keeping with the Task Force’s emphasis on short-term options, it was felt that pursuit of less comprehensive forms of collaboration would be more appropriate. One such example could be outreach by MPL to run educational or afterschool programming under a contractual arrangement with MPS.
- **Collaborate with other libraries in the county.** The city of Milwaukee and the suburban municipalities within Milwaukee County could consider consolidating into one library system, though such action would require involvement and approval by several distinct local government bodies (as well as the state) and would escalate to the level of a long-term solution. Instead, Task Force members discussed possibilities for greater partnership between MPL and suburban libraries in Milwaukee County (who already function as part of the Milwaukee County Federated Library System), including possibilities for joint programming or sharing of specialized staff.
- **Enhance earned revenues.** Several Task Force members noted that libraries around the country earn additional revenues by using their facilities to host events, such as galas and weddings. This could be an opportunity to earn revenue during hours in which MPL facilities typically are not open to the public. Others suggested exploring possibilities to open cafés within library facilities or charge for photography opportunities.
- **Enhance partnerships with nonprofits.** MPL could tap into Milwaukee’s strong [nonprofit network](#) by exploring opportunities to contract for use of library facilities for events, as well as for library services and programming. This not only could provide MPL with extra revenue, but would also reinforce the perception that the library is a community-oriented institution. Both this and the broader earned revenues option cited in the previous paragraph would benefit from carefully-planned business models that first would determine viability and then could be used to guide implementation.
- **Provide paid option for those seeking enhanced library services.** The Task Force briefly explored the partnership model between the Milwaukee County Zoo and the Zoological Society of Milwaukee. That relationship features a “Zoo Pass” administered by the Society, under which it receives revenues for those who wish to pay an upfront fee that entitles them to multiple visits. In exchange for that revenue, the Society makes a direct annual payment to the zoo and also runs programs, provides signage, and contributes in other ways. MPL does not charge admission so a similar “membership” model would not work, but MPL could explore what “enhanced” or frequent user services could look like for a small subset of its patrons and whether it could establish a partnership with its foundation to offer those services and share revenues.

Enhanced role for the Foundation coupled with city funding commitment

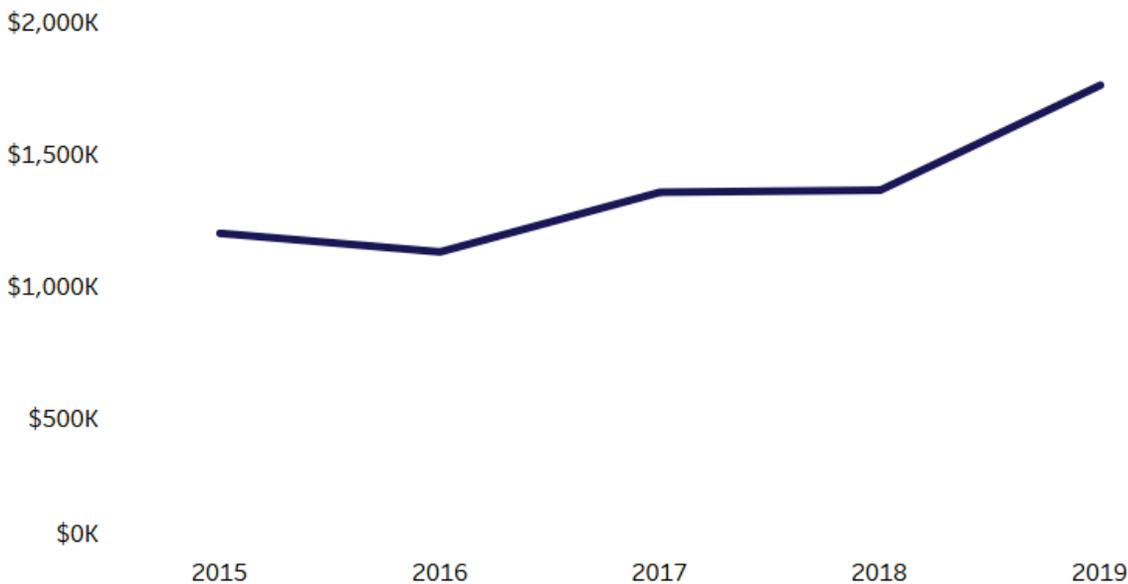
While the group felt that all of these ideas held some promise, Task Force members also agreed that such revenue possibilities would not be lucrative enough to meaningfully change MPL’s fiscal paradigm. Consequently, the short-term solution that engendered the most detailed discussion was the possibility of carving out a larger role for the MPL Foundation in assisting MPL with potential



funding gaps or asking it to use portions of its existing annual contribution to avert branch closures or other undesirable options that may be necessitated by the city’s ongoing budget challenges.

In a January presentation to the Task Force, MPL leaders noted that “Foundation support has been growing and serves to provide strong programming enhancements and new initiatives that support our mission.” As shown in **Chart 6**, the Foundation’s contribution to MPL has grown in each of the last four years, rising from \$1.1 million in 2016 to \$1.8 million in 2019 (55.9%). Over the same time period, as noted above, the city’s appropriation to MPL – by far its largest source of revenue – dropped from \$23.5 million to \$23.0 million.

Chart 6: Foundation Contributions to MPL, 2014-2019



Given the threat that municipal appropriations will continue to fail to meet MPL’s expenditure needs, it is logical to ask whether the Foundation might consider modifications to the manner in which it has traditionally supported MPL. That could take the form either of increased annual contributions or a change in how the Foundation’s existing financial support is utilized.

An important consideration is that donor support for MPL through the Foundation is meant to complement, *but not supplant*, the city of Milwaukee’s responsibility to be the primary means of financial support for library operations. In other words, Foundation funding supports library programs that would not be possible without its contributions, but there has always been a prohibition on using Foundation resources to support general operating costs.

Easing or eliminating that prohibition could be critical to mitigating MPL’s fiscal challenges, but there are several potential negative ramifications, as well. For example:

- *Donor support might lag.* Currently, donors contribute to the Foundation with the knowledge that their support allows MPL to expand its programming but is not used to relieve the city of its financial obligation toward the library. If that assurance changes, it is possible that some donors would discontinue their support.



- *City might diminish its support.* While the city may need to reduce its appropriations regardless, there is a possibility that if the Foundation were to agree to take on a larger role, then the city would divest more heavily from MPL.
- *Potential for inconsistent revenue.* There is no guarantee Foundation revenue will increase in the coming years, making increased reliance on it somewhat risky.
- *Need to grow Foundation capacity.* It may take time, development of new fundraising strategies, and possibly additional staff for the Foundation to have the wherewithal to increase its contributions to more than the \$1.8 million it provided to MPL in 2019.

It is possible that some of these issues could be addressed by a Memorandum of Agreement between the Foundation and the city that would be approved by both the mayor and common council. Under such an agreement, the city could agree to a minimum annual appropriation for MPL operations (and perhaps a similar commitment to capital, as well) in return for expanded or modified Foundation support, including for everyday library operations. Milwaukee County has entered into similar agreements tying long-term public funding commitments to enhanced private support for some of its cultural institutions.

One obstacle is that the city's funding guarantee presumably would not be legally binding over the long term, as budgetary decisions are entrusted each year to the lawmakers then in office. Nevertheless, a written agreement approved by the current mayor and common council would be a strong commitment and may alleviate some of the concerns raised above.

Such an agreement also could speak to a larger role for the Foundation and its staff in programming or other MPL operations if that would be seen as a needed justification for either a larger financial commitment or agreement to use Foundation resources for general operating needs. Adding a Foundation board member who is a city of Milwaukee resident to the MPL Board of Trustees also may be seen as appropriate under such an agreement.

In discussing this concept, Task Force members acknowledged that a request to the Foundation for greater or different forms of financial support was a "big ask." There was consensus, however, that exploring such a change was justified given that the utility and effectiveness of the "add-on" programming the Foundation has traditionally supported would be diluted if MPL is forced to close branches or reduce hours in light of its financial constraints. Also, given that Foundation support does not typically cover the full cost of running the extra programming, MPL may have difficulty sustaining those programs anyway.

At the same time, members viewed the initiation of such discussion as an opportunity to more clearly define what the public-private partnership between the two entities should look like going forward. They agreed that Foundation leaders would be justified in seeking to jointly define what types of general operating expenses their contributions would support. They also saw opportunity for mutual agreement on specific possibilities like endowed positions or certain forms of general programming that would both assist MPL in bridging future budget gaps and satisfy private donors that their contributions were linked to specific programs or objectives.



CONCLUSION

As the Milwaukee Public Library looks to the future, its challenges are daunting. Highly dependent on financial support from a city government that has its own severe revenue challenges and required to compete with other vital services like police and fire, MPL must prepare for a possible decline in its foremost source of funding. Yet, lacking the legal ability to generate greater public support on its own and constrained by its commitment to free or reasonably priced public access from asking for more from its users, MPL has limited options to address the prospect of reduced city support.

An option that does exist is to whittle away at that public access by closing branches or reducing hours, but MPL's leaders and stakeholders understandably bristle at that possibility. Indeed, at a time when a global pandemic has exposed the depth of racial and socioeconomic inequities in metro Milwaukee, the library's important role as a source of knowledge, education, and enrichment for all residents may now be more pronounced than ever.

Another option would be for city leaders to place a greater priority on MPL's services. In 2000, MPL's appropriation of \$20.7 million represented 4.6% of the city's general purpose spending. By 2020, this share had declined to 3.7%. The possibility of reversing this trend and devoting additional city property tax resources to MPL should be considered alongside other options cited in this report, but each of the functions with which MPL competes likely has its own compelling story that it could similarly use to justify greater city support.

MPL's Financial Sustainability Task Force wrestled with this dilemma over five two-hour sessions. There was widespread agreement during the first two meetings that the optimal solution would be a dedicated funding source for MPL that would eliminate its need to compete with other critical public services for finite city resources. However, lacking the authority to implement that solution without a change in state law, and recognizing the long odds against such a change, Task Force members instead turned their attention to solutions that could be pursued without state action.

They ultimately reached consensus that it would be most effective to attempt to build on MPL's strengths, the foremost of which is the strong support it already enjoys from private donors through the MPL Foundation. While acknowledging that such a move will rest on the Foundation's own fundraising prowess, members felt that Foundation leaders could craft a compelling message given the threat of reduced public access to MPL branches at a time when an economic crisis should be prompting libraries to *increase* their services for both children and adults. They also emphasized that enhancing the Foundation's role must be a two-way street involving a renewed definition of its public-private partnership with MPL and a possible maintenance-of-effort funding commitment by the city.

Finally, the Task Force felt it was important to underscore that an enhanced partnership between MPL and its foundation should be viewed not as a comprehensive solution, but as a "life preserver" that would buy some time before significant service reductions again may need to be contemplated. Ultimately, it will be essential for MPL to be included in any broader solution involving new countywide revenue sources for cultural, education, and quality-of-life entities in the city and county.

In adjourning, Task Force members re-emphasized that preserving MPL programming and services and averting branch closures should be high on the list of public policy priorities for all Milwaukee policymakers and citizens. It is hoped that this report will serve as both a wake-up call to the severity of the challenge and a rallying cry for a new level of public-private cooperation to address it.



APPENDIX I: TASK FORCE MEMBERS

The Task Force was facilitated by the Wisconsin Policy Forum and the Milwaukee Public Library Director and its deliberations also involved other MPL officials and staff, as well as staff from the city of Milwaukee budget office. The members of the Task Force are listed below:

Jennifer Abele, UWM
JoAnne Anton, Herb Kohl Philanthropies
Melissa Baxter, Greater Milwaukee Committee
Art Harrington, Godfrey & Kahn
Judge Valarie Hill, Municipal Court
Joe'Mar Hooper, Safe& Sound
Nik Kovac, Alderman (MPL Trustee)
Matt Kowalski, Generac Power Systems (MPL Trustee)
Susan Lloyd, Lloyd Consulting
Jim Marten, Marquette University (MPL Trustee)
Larry Miller, MPS School Board (MPL Trustee)
Joan Prince, UWM (MPL Trustee)
Dan Renouard, Baird
Tim Sheehy, Metropolitan Milwaukee Association of Commerce
Shannon Sweek, Optum

