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Dane County Library System – Reimbursement Formula Adjustment Recommendations

RTL has developed the following new 4-high-level scenarios/models for revision to the Reimbursement Formula (ordered from most recommended to least recommended)

1. **Use existing formulas but create a "Floor and/or Ceiling" for reimbursements**
    a. Set maximum and minimum thresholds for reimbursements, likely as a percentage of their municipal funding or just create a set floor (e.g., no negative reimbursement levels).
    b. Formula is executed as it is currently. Any payments below or above thresholds are reset to thresholds and then the payments to all other libraries are rebalanced based on the allocation percentages prior to the resets.
    c. Like most of these plans, this would likely need a multi-year phased approach
    d. This is probably the simplest shift and allows the system and its members to agree on max/min levels as circuit breakers to keep the system from getting too skewed, as everyone agrees it has currently become.

    RTL: What we like/don't like about this option: The simplest option in terms of changes to the model. Also, the simplest in terms of implementation phase-in. Model doesn't have to be tweaked at all, the changes are all made after the output from the current model, with all floors and ceilings applied and then dollars re-allocated based on share's determined in the initial model. The floors and/ ceilings could be simply phased in over a few years to soften the shifts in payments which should be a much easier variable to negotiate than more complicated formulaic phasing.

2. **Keep the base formula the same, but adjust the weighting based on the formula elements, likely with different tiers (perhaps based on size or total materials usage).**
    Potential options:
    a. Create tiers based on overall use, to help keep distributions within a more manageable range
    b. Separate Madison (since it is the one so unlike everyone else) into a separate tier, to prevent it from throwing off the rest of the curve

    RTL: What we like/don't like about this option: Also fairly simple as the tool for calculating the reimbursements doesn't change dramatically. It does require agreement around what the tiers will be and how those tiers weighting adjustments work. Probably more changes and "factors" to negotiate and agree to than in option 1. Also there might need to be rules around what happens if a library shifts tiers down the road, which could create some "hidden" and subtle complexity to this model.

3. **Create allowances for libraries serving low-income or "distressed" areas.**
    a. Based on the model used by the library consortium in Allegheny County (PA). They use a three-factor formula to distribute the money it receives from county tax revenue. These three elements are:
        i. 20 % Base factor (Population, paid staff, expenditures)
        ii. 50 % Performance factors (Non-resident use, Circulation, Wi-Fi/PC use
        iii. 15 % Capacity factors (Municipal population, FTE paid staff, expenditures, weighted into tiers)
    b. An additional 15% is set aside for libraries serving what have been deemed "distressed" areas – those municipalities where 15% or more of the population lives at or below the poverty line. If we apply

the same factor to the Dane County region, we see the following municipalities/service areas meeting this threshold:

- Marshall (town boundaries, surrounding census tract)
- Sun Prairie (tract within town boundaries)
- Madison (tracts incorporating or adjacent to Lakeview, Main, Monroe, Meadowridge, and others)
- Middleton (mostly a higher economic district but it does contain some lower economic census blocks)
- Tract 55025012700 in the eastern area of the county (encircling Mt. Horeb, but not including Mt. Horeb)

    c. Allowances could be made for these regions, with a proportional allowance made for a proportional segment of Madison's population.

RTL: What we like/don't like about this option: It would most likely reduce the amount of year to year variation in the distributions and it does add an equity lens to the reimbursement formulas. It is the most complicated of the first three and getting broad agreement on all of the new factors that would go into this would be harder than in Options 1 and 2. Also demographic data isn't as reliable as the current circulation data and realities can change on the ground and take a while for those to show up in demographic reporting.

4. **Replace proportional circulation with proportional gate count in the funding formula for facility use. This uses visitor count data from the PLS survey, gathered by the state library and sent to IMLS.**
   a. We can crosswalk circulation to visitor count in a couple of ways:
      i. Straight percentage – x-over from circulation
         Example: Using 13.99% NE from 2019,
      ii. Representational percentage of nonresidents cross walked to visitor count
         Example: BLV has 1942 resident cardholders and 1178 nonresidents, making for 37.75% nonresident cardholders based on the 2019 WI PLS report. Mapped to library visits (35,203 total), the representative proportion would come to 13,291.

RTL: What we like/don't like about this option: This approach would allow the recognition in the reimbursement formula for the newer evolved roles and missions that libraries serve. However, any data beyond the circulation and population data is less than standardized with some members just estimating or sampling data like visits and attendance. This new approach and formulas would likely be a little less complex than option 3 but would require a great deal of data collection standardization and negotiation on what does and doesn't count. We are still listing this option for thoroughness however we do not believe this option is a realistic option for DCLS.