

# The 2022-23 Budget: California State Library

FEBRUARY 2022

**Summary.** The Governor’s budget proposes a total of \$30 million General Fund (\$8.5 million ongoing, \$21.5 million one time) for four proposals at the California State Library (State Library). The proposals focus on digitizing historical assets, supporting local library online job training programs, expanding the Lunch at the Library program, and covering higher building rental costs. We recommend approving the proposed digitization activities but adding reporting to enhance legislative oversight. We recommend rejecting the online job training initiative given the limited data around costs, participation, and outcomes. Regarding the Lunch at the Library program, we recommend the Legislature modify the proposal to be limited term, establish statutory parameters over the grants, and adopt a reporting requirement. We recommend approving the funds to cover higher building rental costs.

## INTRODUCTION

In this post, we analyze the Governor’s budget proposals for the State Library. The post begins with an overview providing background on the State Library and local libraries, as well as a summary of the Governor’s associated budget proposals. It then has four sections covering the digitization, online job training, Lunch at the Library, and building rental proposals, respectively.

## OVERVIEW

**State Library Oversees Both State-Level and Local Initiatives.** The State Library’s main state-level functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing state literature and historical items; and (3) providing specialized research services to the Legislature and

the Governor. In addition, the State Library passes through state and federal funds to local libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, internet services, and resource sharing, among other activities.

**Public Libraries Are Run and Funded Primarily by Local Governments.** In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. Currently, 185 library jurisdictions with 1,130 sites (including central libraries and their branches) are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to books, media, and other informational material as a core part of their mission. Around 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

**Governor Proposes Notable Funding Increase for State Library.** As **Figure 1** shows, the Governor’s budget increases ongoing General Fund support for the State Library by \$9 million (22 percent).

Figure 1

### Governor’s Budget Increases Ongoing Support for State Library

Funding by Source (Dollars in Millions)

	2020-21	2021-22	2022-23	Change From 2021-22	
	Actual	Estimated	Proposed	Amount	Percent
General Fund	\$32	\$39	\$48	\$9	22.0%
Federal funding	17	19	19	— <sup>a</sup>	0.1
Other	3	3	3	— <sup>a</sup>	2.8
<b>Totals</b>	<b>\$52</b>	<b>\$61</b>	<b>\$70</b>	<b>\$9</b>	<b>14.2%</b>

<sup>a</sup> Amount less than \$500,000.

The State Library's other ongoing fund sources stay nearly flat, such that the State Library's total ongoing funding grows 14 percent. Beyond ongoing funding, the Governor's budget provides the State Library \$24 million one-time General Fund support.

**Governor's Budget Funds Four New Proposals.** As **Figure 2** shows, the four proposals are (1) one-time and ongoing support for digitization activities, (2) one-time funding for local library online job training programs, (3) an ongoing augmentation for the Lunch at the Library program, and (4) ongoing support for the State Library's building rental payments.

The remaining General Fund adjustments implement budget agreements made last year (relating to disaster preparedness efforts for historical assets) and technical base adjustments (including adjustments for library broadband costs).

## DIGITIZATION INITIATIVE

In this section, we provide background on the State Library's recent digitization efforts, describe the Governor's digitization proposal, assess the proposal, and offer an associated recommendation.

### Background

#### **State Library Has Undertaken Several Initiatives to Digitize State Historical Assets.**

As part of its core mission of curating historical items in California, the State Library is undertaking efforts to digitize its collections. The purpose of digitization is to create a digital copy in addition to the physical copy, thereby improving online accessibility and further preserving the original materials. The State Library indicates that it has several digitization efforts underway. These efforts are described below.

- **Digital Concierge Services.** The 2019-20 budget provided the State Library \$1 million ongoing General Fund for three concierge preservationists. These preservationists work with state agencies by request to digitize

Figure 2

## Governor's Budget Contains Four New Proposals

General Fund Changes in 2022-23 (In Thousands)

Change	Ongoing	One Time	Totals
<b>New Proposals</b>			
Digitization activities	\$1,338	\$12,692	\$14,030
Online job training programs	—	8,800	8,800
Lunch at the Library	5,000	—	5,000
Building rental payments	2,179	—	2,179
Subtotals	(\$8,517)	(\$21,492)	(\$30,009)
<b>Other Changes</b>			
Disaster preparedness for cultural resources <sup>a</sup>	—	\$2,387	\$2,387
Broadband cost increases	\$179	—	179
Other technical adjustments	-45	—	-45
Subtotals	(\$134)	(\$2,387)	(\$2,521)
<b>Totals</b>	<b>\$8,651</b>	<b>\$23,879</b>	<b>\$32,530</b>

<sup>a</sup> Represents second year of four-year funding plan initiated as part of the 2021-22 budget agreement.

agencies' historical resources. According to the State Library, the team of preservationists currently is undertaking one project with the California Department of Parks and Recreation to digitize historical photographs, and it is reviewing potential projects with the California Highway Patrol and the California Department of Transportation.

- **CA.GOV.** CA.GOV is an archive of point-in-time snapshots of state agency websites. These snapshots and their data are available for users to access in future years. The State Library contracts with the Internet Archive, a private nonprofit entity, to collect these snapshots. A volunteer committee of specialists from the State Library, the University of California, Stanford University, and the California State Archives oversees and curates development of the archive. According to the State Library, it spends \$72,000 annually on its contract with the Internet Archive.
- **Other Activities.** Beyond these activities, the State Library undertakes a variety of other ongoing and one-time digitization initiatives. These initiatives include: the California Newspaper Project, which digitizes local California newspapers (receiving \$430,000 ongoing General Fund support);

(2) California Revealed, which digitizes historical resources from over 300 cultural heritage institutions throughout the state (receiving \$1.4 million one-time federal funds); and (3) Voices of the Golden State, which preserves oral histories conducted by higher education institutions, museums, and other entities (funding and source of funds not available at the time of this post).

**State Library Recently Developed Digital Preservation Strategy.** In April 2021, the State Library released a document describing the core principles guiding its digital preservation activities. The document directs each of the State Library’s bureaus and sections (such as the California History Section or the Witkin State Law Library) to identify their top assets for digital preservation each year. Library resources are to be prioritized for digitization based on several factors, such as their rarity, cultural relevance, and physical condition.

## Proposal

**Governor Proposes Supporting New and Expanded Digitization Efforts.** As **Figure 3** shows, the Governor proposes providing a total of \$14 million General Fund support and nine additional permanent State Library positions for enhanced digitization activities. The Department of Finance (DOF) indicates that \$11 million of the one-time funding would be available over five years (through 2026-27) and the remaining \$1.7 million in one-time funding supporting cataloging activities and equipment purchases would be available through the budget year. (DOF indicates it will add this expenditure period to provisional budget language at May Revision.)

**Proposal Spans Four Key Areas.** The largest area focuses on digitizing various state historical assets, such as analog videos from the California Channel and fragile historical resources. The next largest area would focus on digitizing resources in the State Library’s Government Publications Section, with the goal of digitizing 20 percent of

Figure 3

### State Library Digitization Proposal Has Many Components

(In Thousands)

	Ongoing	One Time	Totals
<b>Digitize California Historical Assets</b>			
Digitize video media over five years	—	\$5,000	\$5,000
Procure new software and equipment	—	432	432
Scan future acquisitions (two positions)	\$200	—	200
Contract with vendor to digitize fragile assets	125	—	125
Subtotals	(\$325)	(\$5,432)	(\$5,757)
<b>Digitize Government Publications</b>			
Contract with vendor to digitize 20 percent of catalog over five years	—	\$3,500	\$3,500
Contract with vendor to catalog pre-2007 documents	—	1,100	1,100
Expand CA.GOV archive (four positions)	\$370	—	370
Ongoing catalog maintenance	110	—	110
Subtotals	(\$480)	(\$4,600)	(\$5,080)
<b>Digital Concierge Services for State Agency Assets</b>			
Undertake additional state agency projects over five years	—	\$2,500	\$2,500
Develop list of state agency photographic assets (one position)	\$131	—	131
Subtotals	(\$131)	(\$2,500)	(\$2,631)
<b>Expand Information Technology Capacity</b>			
Procurement and cloud services management (two positions)	\$312	—	\$312
Purchase additional servers and cloud capacity	90	\$160	250
Subtotals	(\$402)	(\$160)	(\$562)
<b>Totals</b>	<b>\$1,338</b>	<b>\$12,692</b>	<b>\$14,030</b>

the section's state agency publications, barcoding older resources for future digitization efforts, and providing dedicated staff to oversee the CA.GOV digital archive. The proposal also would augment the existing Digital Concierge Services team, accelerating the team's time line to complete active projects and expanding the number of new projects it can undertake. Finally, the proposal would expand the State Library's existing information technology staffing and storage capacity in support of all of these efforts.

## Assessment

### ***Proposal Supports Reasonable Objective.***

Preserving historical assets is a core function of the State Library. Digitizing assets furthers this mission by creating an additional copy of an asset were it ever to be damaged or destroyed and by making the asset more readily available to the public.

### ***Multifaceted Proposal Comes With Risks and Challenges.***

The proposal has many components spanning several units of the State Library. With so many proposed activities, the State Library faces the risk of not being able to implement them all fully within the time period allotted. Moreover, some parts of the proposal could meet with unexpected challenges. For example, the Concierge Services team could encounter much stronger or weaker interest from state agencies than assumed in the proposal. Typically, reporting language helps the Legislature hold the administration and the State Library accountable for accomplishing identified objectives and milestones. Reporting also would help the Legislature make funding decisions for future digitization initiatives at the State Library. The administration, however, has no reporting requirements associated with its digitization proposal, thus limiting accountability and weakening the ability of the Legislature to conduct oversight of the digitization efforts.

## Recommendation

***If More Digitization Is a High Priority, Adopt Reporting Requirement.*** If the Legislature would like to support more digitization at the State Library, we recommend it require the State Library to report on its digitization activities as a condition of receiving an associated augmentation. Specifically, we recommend the State Library be required to submit a first report by November 1, 2023 (around

halfway through the initiative) and a second report by November 1, 2026 (toward the end of the initiative). We recommend the reports include the amount spent, specific activities undertaken, and the number of resources digitized each year. We recommend the reports also include an assessment as to the remaining number of State Library items to be digitized and the associated cost.

## ONLINE JOB TRAINING PROGRAMS

In this section, we provide background on workforce development programs, describe the Governor's online job training proposal, assess the proposal, and offer associated recommendations.

## Background

***State Provides Billions of Dollars on Workforce Development Programs.*** California spends billions of dollars annually for roughly three dozen workforce development programs spanning many state agencies. Some of these programs assist students and other individuals with entering the workforce for the first time, whereas other programs assist unemployed or underemployed individuals with re-entering the workforce and potentially upskilling to a higher-paying job. For occupations requiring less than a bachelor's degree, the state's programs are primarily concentrated at high schools, community colleges, and local workforce development boards. These programs identify state and regional workforce needs, support credit and noncredit coursework in career-focused fields, and provide a variety of other training opportunities (including apprenticeships).

***State Library Oversees Certain Library-Based Education and Training Programs.*** The California Library Literacy and English Acquisition Program supports volunteer-based literacy tutoring for adults and children at local libraries. The program currently receives \$7.3 million ongoing General Fund. The State Library also oversees the CAreer Pathways initiative, which provides local libraries subscriptions to various online education and training platforms available to their patrons. For example, library patrons can earn a high school diploma online through the Career Online High School program, and patrons who are 50 years old or older can participate in digital literacy and online enrichment courses under the GetSetUp program. CAreer Pathways received \$3 million one-time General Fund support in 2021-22 for the

Career Online High School program. It received \$5.4 million one-time federal relief funding for the remaining online education and training programs.

***State Library Established New Workforce Development Initiative With Federal Relief Funds.***

According to the State Library, \$4.4 million of CAREER Pathway's one-time federal relief funds is supporting subscriptions to six online learning platforms (Bendable, Coursera, Learning Express, LinkedIn Learning, Northstar, and Skillshare). (The remaining \$785,700 in federal relief funds were spent on other platforms.) Similar to other CAREER Pathways programs, patrons can access these platforms by using a computer at their local library or on their own device using their local library's webpage. Virtually all libraries offer at least one online learning platform to their patrons, and more than half offer all six platforms. The platforms focus on many areas and offer several types of services and content. Coursera, for example, offers certificates in a variety of industries, including information technology, cybersecurity, and marketing. LearningExpress, by comparison, focuses on preparing participants for certain tests, including the California Basic Educational Skills Test, California Real Estate Salesperson Exam, and the California Police Officer Exam. Another platform, Skillshare, offers numerous self-paced courses ranging from the creative arts, design, entrepreneurship, and technology. The State Library could not provide the number of patrons participating in these platforms, but it reports that participating patrons completed "well over 20,000" course hours across all libraries.

## **Proposal**

***Governor Proposes \$8.8 Million General Fund Over Two Years to Continue Recent Initiative.***

Proposed budget bill language states that the funds would support library-based online job training and educational upskilling programs over two years. Though not specified in the proposed language, the State Library indicates the funds would continue supporting the six platforms listed above that were originally supported with one-time federal relief funds. The State Library indicates its intention to spread the funds evenly over the next two years (with \$4.4 million spent each year).

## **Assessment**

***Initiative Could Be Relatively Expensive on a Per-Course Basis.*** Because the proposal would not be tied to specified enrollment or course-taking expectations, per-participant costs could be high relative to other state education programs. We converted the number of course hours to a "full-time equivalent (FTE)" basis, using the approach taken at the community colleges. (At community colleges, 525 contact hours is equivalent to one FTE student). The State Library's reported course hours under the existing initiative—well over 20,000 hours—converts to around 40 FTE participants, with a resulting cost of over \$100,000 per FTE participant. Even were the State Library to quadruple course taking patterns in the initiative, generating around 160 FTE participants, costs would be \$27,500 per FTE participant. For comparison, the state is providing community colleges \$5,907 per FTE student for noncredit instruction. Without more certainty as to the number of patrons and course hours funded under this proposal, the Legislature could end up approving an initiative that is considerably less cost-effective than its existing workforce education programs.

***Lack of User and Outcome Data Also Poses Risks.*** The Legislature might be willing to fund a particularly high-cost program if it had been shown to provide underserved or historically disadvantaged populations with particularly good employment outcomes. The State Library, however, has not provided the Legislature with data on the number of participants, participant demographic characteristics, and participant outcomes of its programs. Moreover, the state already supports numerous ongoing and one-time workforce development initiatives designed to benefit underserved and historically disadvantaged students. The administration has not made a compelling case that the State Library's proposed education and training programs would benefit a group not already intended to be served by other such programs, as well as have notably better employment outcomes.

## Recommendations

**Reject Proposal.** Given the risks and uncertainties around program cost, participation, and outcomes, we recommend the Legislature reject the proposal. Even if this proposal were rejected, the State Library would continue implementing its current federally funded initiative. The State Library indicates that it plans to collect better data on that initiative. Were this forthcoming data to adequately address the concerns raised earlier and demonstrate the initiative's added benefit to the state's existing workforce programs, the Legislature could consider supporting the initiative in future years. (If the Governor's proposal were approved for 2022-23, we recommend adding an evaluation to ensure the cost-effectiveness of the state funding could be determined.)

## LUNCH AT THE LIBRARY

In this section, we provide background on the federal summer meal program and the Lunch at the Library program, describe the Governor's proposal to augment funding for the Lunch at the Library program, assess the proposal, and offer associated recommendations.

### Background

**Federal Government Provides Free Summer Meals.** The federal government subsidizes lunches and snacks for low-income students at schools during the academic year. To prevent low-income students from experiencing food insecurity during the summer when they might not be attending school, the federal government runs an additional program providing summer meals. For the summer meal program, sites beyond schools, including libraries, can distribute federally subsidized meals. To qualify to participate, meal sites must be located in areas where at least 50 percent of students qualify for a free or reduced-price lunch during the school year.

**Participation in Summer Program Is Notably Lower Than in Fall Through Spring.** Because students are required to attend school during the academic year, virtually all eligible students receive subsidized meals during that period. By contrast, only a portion of eligible students are accessing free meals during the summer. According to the

Food Research and Action Center (a nonprofit organization), in the summer of 2019, average daily participation in California's summer program was 16.5 percent of daily participation during the 2019-20 academic year. Participation was even lower nationally, with average summer participation 13.8 percent of participation during the fall through spring. Experts have suggested several reasons for the lower summer participation, including lack of awareness of the summer program, limited number of sites in certain areas, and lack of sufficient incentive for students to travel to the nearest summer meal site.

**Lunch at the Library Program Aims to Increase Local Library Involvement.** Initiated in 2013 with federal funding, Lunch at the Library aims to increase the number of California local libraries serving as summer meal sites and increasing summer enrichment opportunities for students. As the meals themselves are funded by the federal government, the Lunch at the Library program focuses on other services that support summer meal sites. Specifically, the program provides: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites. Initially supported through a mix of one-time federal funds and private grants, then one-time state funding, the state began providing the program \$800,000 ongoing General Fund in 2020-21. (The ongoing funding was adopted as early action in February 2021.) According to the State Library, the ongoing funds entirely support grants to local libraries.

**Subset of Libraries Currently Participate in Program.** According to the State Library, in 2021, 118 library sites within 39 library jurisdictions operated summer meal sites, providing a total of approximately 308,000 meals. In addition, 49 library jurisdictions provided library materials and services to nonlibrary sites operating as summer meal sites. (In total, 71 library jurisdictions participated, with some jurisdictions both operating their own summer meal sites and providing library materials to nonlibrary sites.)

For context regarding the size of the Lunch at the Library program, prior to the pandemic in 2018-19, California had a total of 4,928 federally recognized summer meal sites serving 15 million meals (inclusive of local library summer meal sites). During the pandemic in 2019-20 (the most recent data available from the California Department of Education), summer meals notably increased, with 8,601 sites providing 273 million meals.

## Proposal

***Governor Proposes Expanding the Lunch at the Library Program.*** The Governor proposes increasing the Lunch at the Library program by \$5 million ongoing General Fund, bringing total ongoing support for the program to \$5.8 million. Of the \$5 million augmentation, \$4.7 million would be for local assistance. According to the State Library, the local assistance augmentation would increase the number of start-up grants to local libraries, as well as provide targeted grants to support libraries in high-need communities and to pilot new meal delivery and educational enrichment approaches. The remaining \$314,000 would support two permanent State Library positions to implement the expanded grant program and provide local libraries technical assistance. According to the State Library, the proposal would result in local libraries increasing the number of summer meals they serve by about 10 percent each year for the next five years, with the library summer meal count reaching approximately 500,000 by 2026.

## Assessment

***Student Food Insecurity Is a Salient Issue.*** According to Feeding America, a nonprofit organization that annually analyzes federal census data, 17 percent of Californians under the age of 18 reported being food insecure in 2021. While these data do not indicate what time of year children experience food insecurity, food insecurity might increase during the summer months when students are less likely to be attending school.

***Proposal Is a Narrow Approach to Addressing Food Insecurity.*** As we have noted in previous years, the proposal's strategy to boosting summer meal participation—adding more

library sites—is very narrow. Even under the State Library's plan to increase local library summer meals by 10 percent each year for five years, the initiative would only account for a small proportion of summer meals across the state. Moreover, the administration has not clearly explained why expanding meals at local libraries would be more cost-effective than expanding at other potential sites, including more school and community-based sites. Furthermore, the statewide educational impact of providing library materials at meal sites likely is negligible compared to the billions of dollars the state provides K-12 schools for ongoing education, including the billions of dollars in new funding the state is providing for the Expanded Learning Opportunities Program (ELOP).

***ELOP Could Boost School Attendance in the Summer.*** The state in the 2021-22 budget established ELOP, which expands learning opportunities for students in Transitional Kindergarten through grade 6. Among other provisions, the program requires participating school districts to provide 30 days of learning opportunities during the summer. The state provided \$1.8 billion Proposition 98 General Fund for ELOP in 2021-22 and the Governor proposes providing \$4.4 billion for ELOP in 2022-23, with the goal of reaching \$5 billion ongoing by 2025-26. This program likely will boost student attendance during the summer, potentially providing students better, more cost-effective access to free summer meals and summer educational enrichment programs.

***Large Lunch at the Library Augmentation Has No Parameters or Reporting.*** Despite providing the program a more than five-fold funding increase, the Governor does not propose establishing parameters guiding how the funds are to be spent. The proposal also does not establish a reporting requirement providing data on the use of the funds, program outcomes, or the cost-effectiveness of the additional library meal sites relative to schools and other community-based sites. Moreover, the program has no existing language in these areas despite receiving ongoing funding.

## Recommendations

**Modify Proposal to Be Limited Term.** Given the proposal’s uncertain impact on summer food insecurity and the notable expansion in summer attendance underway at schools, we recommend the Legislature modify the proposal by making it limited term. For example, the Legislature could provide the program \$5 million one-time General Fund over three years. At the end of this period, the Legislature would have better information on the Lunch at the Library’s impact, as well as ELOP’s impact, on summer meal participation. The Legislature could then better assess whether an ongoing augmentation for the Lunch at the Library program is warranted.

**Adopt Statutory Parameters, Reporting, and Evaluation.** To assist legislative oversight over the proposed augmentation and inform future budget decisions in this area, we recommend establishing parameters over the grants. Helpful parameters would include designating amounts for each grant purpose (such as start-up grants and grants to pilot new meal delivery approaches), prioritization criteria (such as prioritizing grants to libraries in counties with high rates of food insecurity), and performance milestones (such as achieving a 10 percent annual increase in the number of library sites and summer meals). Additionally, we recommend requiring the State Library to collect and report certain data each November 1 over the initiative’s funding period. At a minimum, we recommend the report include the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of nonlibrary meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites. We recommend the report also include an evaluation component that would seek to assess the cost-effectiveness of the additional library summer meal sites relative to schools and other community-based sites.

## BUILDING RENTAL PAYMENTS

In this section, we provide background on the State Library’s buildings and its rental payments, describe the Governor’s proposal in this area, assess the proposal, and offer an associated recommendation.

### Background

**State Library Occupies Two Buildings Owned by the Department of General Services (DGS).**

The first building, the Library and Courts I building, is a historic facility constructed in 1928. Space in the building is shared between the State Library and California’s Court of Appeal, Third Appellate District. The second building, referred to as the Library and Courts II building, was constructed in 1990, with the construction financed by state lease revenue bonds. The State Library is the sole occupant of this building. The State Library pays DGS rent each year to occupy both buildings, which in turn supports DGS’s operations and maintenance of the buildings.

**State Library’s Rent Notably Increased Recently for Two Key Reasons.** As **Figure 4**

shows, the State Library’s rent for the Library and Courts II building has notably increased in recent years. According to the State Library, the cost increase is due to two factors, described below.

- **Transfer of Jurisdiction to DGS in 2019-20.** Prior to the repayment of the building’s lease revenue bond debt in May 2018, the State Public Works Board had jurisdiction over the building. The state directly paid rent on behalf of the State Library (effectively debt service

Figure 4

### State Library Reports Shortfall in Its Building Rental Budget

(In Thousands)

	2018-19	2019-20	2020-21	2021-22
<b>Rental Costs</b>				
Library and Courts I building	\$3,754	\$3,785	\$3,823	\$3,025
Library and Courts II building	1,010	3,815	4,123	5,151
<b>Totals</b>	<b>\$4,764</b>	<b>\$7,600</b>	<b>\$7,946</b>	<b>\$8,176</b>
Base rental budget	\$5,838	\$5,843	\$5,997	\$5,997
<b>Funding Surplus/Shortfall</b>	<b>\$1,074</b>	<b>-\$1,757</b>	<b>-\$1,949</b>	<b>-\$2,179</b>



payments) to the board. During this time, the State Library paid DGS for basic facility services (\$1 million in 2018-19). When the debt was repaid, jurisdiction over the building transferred to DGS, with the State Library now paying full DGS rental rates (over \$4 million in 2021-22).

- **Central Plant Fee Beginning in 2021-22.** DGS charges buildings under its jurisdiction a fee for utility costs. According to the State Library, it was not aware of this charge until it received an invoice from DGS in May 2021 for the 2019-20 and 2020-21 fiscal years. The State Library indicates that it ultimately paid the charge in 2019-20 and received a one-time waiver from DGS for 2020-21. Moving forward, DGS expects the State Library to pay this charge (\$916,000 in 2021-22).

**State Library Reports That Its Budgeted Rental Amount Is Systematically Below Actual Costs.** According to the State Library, it has a budgeted level of support to make rental payments. This amount has been adjusted by the state in certain years, most recently in the 2018-19 budget. The state has not since adjusted the State Library's budget for the higher DGS building and central plant fees that began in 2019-20. Consequently, the State Library estimates its current budgeted rental amount—just under \$6 million in 2021-22—will fall short of actual rental costs. According to the State Library, it covered the initial shortfall in 2019-20 and 2020-21 through limited-term savings from other areas of its budget. The State Library attributes these savings to pandemic-related factors. For example, the State Library reports that the transition to remote work prompted an increase in retirements and the State Library deferred backfilling those positions. The State Library also states that it benefited from one-time savings associated with the reduction in its travel budget. According to the State Library, these one-time savings are not available in 2021-22 and notes that it will distribute the estimated funding shortfall across all of its operations.

## Proposal

**Proposes Rebenching State Library's Rental Budget.** The proposed amount—\$2.2 million ongoing General Fund—would close the shortfall between actual rental costs and the State Library's base rental budget beginning in 2022-23. The amount is tied to the estimated funding shortfall in 2021-22.

## Assessment

**State Typically Does Not Adjust Agencies' Budgets for Rent Increases.** Rather, agencies must manage any rental fluctuations within their budgets. When rent increases, agencies typically must redirect spending from other budget areas (for example, by holding certain positions vacant for an extended period of time). When costs are lower than expected, agencies can spend the surplus funds on one-time purposes.

**Though Not Common, State Sometimes Provides Increases for Rental Costs.** Though not typical, the state has provided certain agencies adjustments for rental payments, particularly for large ongoing changes in costs. For example, the 2021-22 budget provided a combined \$6.4 million ongoing augmentation for several natural resource state agencies for higher rental costs.

**Given Unusual Rental Cost Increase, Proposed Augmentation at State Library Is Reasonable.** Rather than rental costs growing gradually over many years, the State Library's rent increased notably due to a change in jurisdiction over the Library and Courts II building. Moreover, the State Library's other savings during the pandemic will not be available in the upcoming budget year to help manage the higher costs. Given these circumstances, we think providing an adjustment for rental costs is reasonable.

## Recommendation

**Adopt Proposal.** Given factors described above, we recommend the Legislature approve the Governor's proposed \$2.2 million for higher ongoing State Library rental costs.





## **LAO PUBLICATIONS**

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This post was prepared by Jason Constantouros, and reviewed by Jennifer Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.